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Transport for London

Financial Statements
For the year ended 31 March 2022

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 2022

Patrick Doig
Statutory Chief Finance Officer

3 June 2022

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Narrative Report and Financial Review

Overview

Prior to the outbreak of the pandemic, TfL had been close to reaching financial sustainability in terms of its operational activities without the need for direct Government grant. Between 2015/16 and 2019/20 we were focused on improving our financial position and resilience. We had reduced the net cost of operations, excluding Government funding, by almost £1bn over that period, and we had increased cash reserves to over £2bn, giving ourselves a cash buffer that proved crucial to TfL being able to continue operating in the first phase of the pandemic whilst Government support was negotiated.

However, the pandemic devastated our fares income, which meant that, since March 2020, we have required extraordinary funding support from Government. This support peaked in 2020/21 when we received a total of £2,457m of extraordinary funding grant, in addition to drawing down £600m of additional borrowings and utilising around £800m of our own built-up cash reserves to fund our committed expenditure. In 2021/22 a combination of easing restrictions, leading to recovering income, and ongoing careful cost control has enabled us to move to a declining trajectory of extraordinary Government support; and we are on track to achieve financial sustainability from an operating activities perspective from April 2023.

During 2021/22, under a series of funding agreements from the Department for Transport (DfT), TfL received extraordinary grant totalling £1,717m (2020/21 £2,457m). On 25 February 2022, the latest in this series, being a four-month funding settlement with the Government to 24 June 2022, was put in place. It enables us to continue to operate and maintain essential transport services in London in a safe way, enabling us also to continue our vital contribution to the economic recovery of the capital and the country as a whole.

The settlement, in line with earlier agreements, confirms the Government's intention to continue to support with the cost of operations beyond June, as we work our way to achieving financial sustainability by April 2023. Over the four-month funding period, we will receive base funding of £200m as well as the continuation of a revenue top-up mechanism which reduces the risk around passenger demand being lower than expected.

As in previous agreements, the DfT has set several conditions in relation to the provision of this funding. These include a requirement to manage our cash balances at an average of £1.2bn during the period of the current letter and to provide a plan outlining options for generating up to £400m of appropriate revenue sources and/or cost saving initiatives in 2022/23 (in addition to £730m savings already embedded in our plans). We are also required to progress work on the new revenue stream options which were submitted to the Government in December and presented to the Board in February, which could raise between £0.5bn to £1.0bn a year from 2023. All options would be subject to appropriate consultation, stakeholder engagement and impact assessments. Further detail of the conditions is set out in the going concern section of our Accounting Policies.

Narrative Report and Financial Review (continued)

Recognising the need for certainty and stability for our capital investment pipeline, the Government has also agreed to set out a proposal on longer-term capital support during this funding period. Reaching agreement on this is crucial for the coming years in order to avoid a 'managed decline' of London's transport network. Under this scenario, the combination of uncertainty over the quantum of long-term funding, lower income levels and increasing inflationary pressures mean that, in order to balance our budget, we would be facing deteriorating asset conditions, which would impact on the reliability and operability of our public transport and road networks. We would have to offer reduced service levels and be unable to enter contracts for new enhancement projects. This, in turn, would mean a failure to deliver on our policy goals of tackling climate change, air quality improvements, reduced congestion, and delivering our vision zero for people killed or seriously injured on our networks.

The Government has recognised that we are not able to fund the replacement of major assets such as rolling stock and signalling solely from our own operating income and, in our discussions with them, we have set out a requirement for circa £0.5-£1bn of additional funding per annum over the medium to long term to replace London's strategic national transport assets and support other transport priorities. Longer-term Government funding will enable us to deliver major renewals. This enables TfL and its supply chain to plan more effectively, improving efficiency and supporting investment in job around the UK. A number of studies, including those commissioned by Government, have estimated that long-term funding can enable cost efficiencies of between 10-30 per cent. This level of funding would enable us to avoid the significant service reductions required under the managed decline scenario and create the conditions required to support long-term financial sustainability.

Organisational Overview

Acting fairly between our stakeholders

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

Key priorities in the Mayor's Transport Strategy are: creating healthy streets and healthy people, creating a good public transport experience and delivering new homes and jobs. See page 5 of the Annual Report.

Narrative Report and Financial Review (continued)

High standards of business conduct

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

The opinion for the year ending 31 March 2022 concluded that TfL's governance framework was satisfactory for TfL's needs and operated in an effective manner. The opinion highlighted the progress to address previously disclosed weaknesses in several audits of governance and financial controls relating to procurement and contract management.

We have established a Committee and Panel structure to which we delegate detailed scrutiny of key areas of our responsibilities. We have ensured the TfL Board has the right range and depth of knowledge, skills and experiences to run the organisation effectively. We refreshed our Board membership, in line with best practice, so it remained relevant and up to date (the list of our members is on pages X to X). At the date of this report 47 per cent of our Board members are women. We understand the benefits of diversity and are continually seeking to improve this across our Board and executive teams.

We also have a series of policies and guidance setting out expected standards of behaviour and conduct. These include the TfL Code of Conduct, anti-fraud and corruption policy and the whistleblowing policy.

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

Narrative Report and Financial Review (continued)

Coronavirus

Our priority during the coronavirus pandemic has been to follow Government recommendations for action and keep services running, while protecting staff and customer safety.

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

- Using long-lasting, hospital-grade cleaning substances that kill viruses and bacteria on contact
- Cleaning key interchanges more frequently throughout the day
- Trialling continuous UV cleaning of escalator handrails
- Wiping down all touch surfaces on buses, such as poles and doors with strong disinfectant every day
- Added more than 1,000 hand sanitiser points across the network
- Actively managing demand across the network and promoting travel during quiet times to ensure that those who needed to travel could continue to do so safely

We continued to support the recovery of London following the Government's roadmap for coming out of lockdown. Passenger journeys have seen significant growth since the removal of Government restrictions, with total TfL journeys increasing to 68 per cent of pre-pandemic levels at the end of 2021/22.

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

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

Likely consequences of decisions in the long term

The Mayor's Transport Strategy sets out plans to transform London's streets, improve public transport and create opportunities for new homes and jobs. We develop our strategy in consultation with our stakeholders, to improve the services we provide to our passengers. This includes how we engage and work with suppliers, communities, and our people. We have created our new Vision and Values – a bold, long-term vision for the next era for TfL – that sets out our ambitions for the future and outlines what we need to achieve them. We have developed a set of five Roadmaps that chart our next steps towards becoming London's strong, green heartbeat. These Roadmaps are:

Narrative Report and Financial Review (continued)

- Colleague roadmap – be a great place to work for everyone to thrive
- Customer roadmap – give customers more reasons to choose sustainable travel
- Finance roadmap – rebuild our finances, be more efficient and secure our future
- Green roadmap – reduce emissions in London and protect and improve our environment
- Our Foundation – operational and project delivery

Interests of the Group's employees

We strive to create a workplace that is safe, secure and contributes to an engaged workforce.

We have now launched our Vision and Values, a culmination of what our people said our future should look like and how they said we should work together to achieve it. This includes our organisational values – caring, open and adaptable.

Our colleague roadmap sets out how we will deliver our ambition to be a great place to work for everyone to thrive. We have recently introduced a new approach to managing talent and career progression, supporting everyone to have regular conversations about their role and their development.

We continue to work closely with our Trade Unions, ensuring that local, functional, and company-level meetings take place across different parts of the organisation.

As coronavirus restrictions ease, we are supporting those employees who have been working remotely to come in and spend more time in the office. We are operating a hybrid working approach which offers more flexibility and means we can offer a richer, more enjoyable working experience.

The wellbeing of our employees remains a priority and we continue to offer a range of services and resources to support physical and mental health.

Ensuring we hear the voice of our employees remains important to us. While our Trade Union relationships play a significant role in achieving this, our staff network groups provide employees the chance to share ideas and support each other in developing our equality agenda in all areas of employment.

Narrative Report and Financial Review (continued)

Impact of operations on the community and the environment

Streamlined Energy and Carbon Reporting helps businesses across the UK in scope of the 2018 Regulations to comply with their legal obligations in respect of energy usage and carbon emissions reporting.

Streamlined Energy & Carbon Reporting 2021/22

Description	Amounts	Units	Comparison 2020/21
Total Electricity consumption	1,542,260,719	kWh	1,464,725,952
Total Gas consumption	80,574,572	kWh	89,969,770
Total Fuel for company fleet	1,510,631	litres	1,489,042
Purchased District Heating and Cooling	4,076,143	kWh	3,298,494

Emissions Breakdown	Amounts	Units	Conversion factor ($kgCO_2e$)
Scope 1 Emissions from combustion of gas	14,815	tCO_2e	0.18387 (natural gas)
Scope 1 Emissions from combustion of fuel for transport purposes	3,793	tCO_2e	2.546 (diesel) 2.168 (petrol)
Scope 2 Emissions from purchased electricity	327,468	tCO_2e	0.21223 (UK grid electricity)
Scope 2 Emissions from purchased heating and cooling	540	tCO_2e	0.1983 (district heating) 0.0517 (district coolth)
Total Gross CO_2e based on the above	**346,616**	**tCO_2e**	
Total Gross CO_2e including energy/fuel purchased by public transport service operators	**831,624**	**tCO_2e**	

Narrative Report and Financial Review (continued)

Reporting methodology

We have used invoiced consumption and metered data, and have calculated emissions using government conversion factors for company reporting of greenhouse gas emissions 2021. District heating and cooling factors are specific to the Olympic Park district heating system.

Energy efficiency action

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

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

Fostering business relationships with suppliers, customers and others

Working alongside our suppliers and Trade Union partners, we have measures put in place to protect staff and customers during the pandemic.

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

Financial review

Summary of financial performance for the TfL Group

Total revenues, excluding grant funding, for the year came in at £4,313m, compared to a total of £2,396m for 2020/21, reflecting recovering fares revenues as passengers returned to the network. However, journeys at the end of the year remain at 68 per cent of pre-pandemic levels necessitating the continued provision of extraordinary grant funding from the Government.

Gross expenditure of £7,771m has increased from the prior year total £7,405m primarily from the increase in current service costs associated with the TfL Pension Fund, which are reflected in staff costs. Operating costs are consistent with the prior year total, despite inflationary pressures, demonstrating our commitment to reducing our core costs where possible. This has been achieved through continued tight cost controls and progressing our long-term savings programme.

Narrative Report and Financial Review (continued)

In 2021/22, our net financing and investment expenditure decreased from £549m to £299m, primarily reflecting the fact that investment property valuations gains of £93m replaced prior year losses of £83m. Net gains on disposals of investment properties also increased from £36m to £105m.

Grant income, at £4,351m, was £381m below the level seen in 2020/21, primarily reflecting reduced levels of extraordinary funding grant received in the year. The share of net profits from our associated undertakings and joint ventures increased from a loss of £3m in 2020/21 to a profit of £32m in 2021/22, primarily a result of revaluation of development assets at Earls Court.

These items combined with Corporation tax of £86m results in an overall Group surplus after tax for the year of £504m compared to a prior year deficit of £911m. After reserves transfers, this translated to a decrease in usable reserves from £887m as at 31 March 2021 to £681m at 31 March 2022.

In addition to £551m (2020/21 £367m) of spend on renewals works, capital spend included new investment of £568m (2020/21 £704m) on the Crossrail project and £890m (2020/21 £1,049m) on other investment projects. Major projects progressed in the year included the Four Lines Modernisation project, Barking Riverside, the opening of the Northern line extension, the Bank Station upgrade and the design and planned construction of DLR rolling stock and systems integration.

Funding sources

Our activities are funded from four main sources:

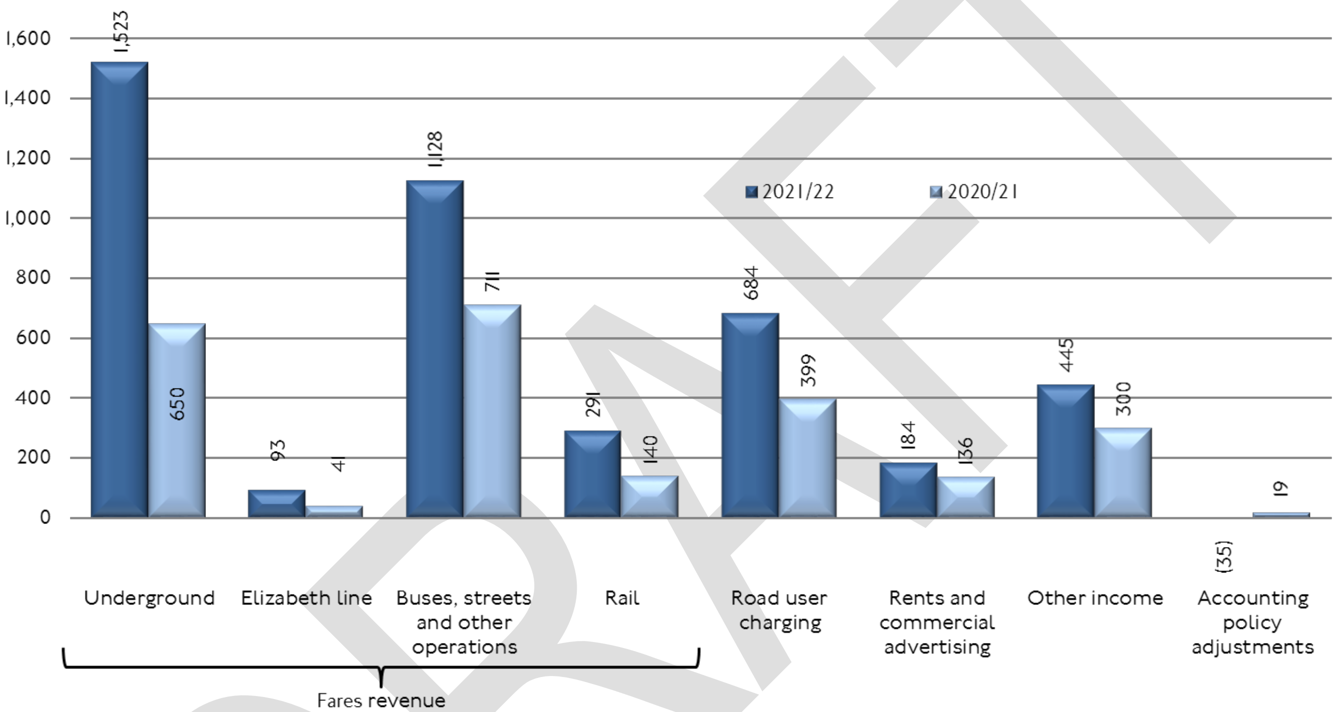
- Passenger fares income – historically this has been the largest single source of our income, but was significantly impacted by the pandemic in 2020/21 and 2021/22
- Other income, including commercial activity and income from the Congestion Charge and other road-user charges
- Grant income, including extraordinary funding grant from the DfT, and a share of London Business Rates passed down to TfL from the GLA
- Prudential borrowing (the amount and profile of which has been agreed with the DfT) and cash reserves.

Narrative Report and Financial Review (continued)

TfL's Business Plan is financially balanced over the medium term, with planned funding sources sufficient to meet planned expenditure. Short-term timing differences between expenditure and funding are managed through transfers to or from our cash reserves. Work remains ongoing within TfL and through discussions with the DfT to determine how previously planned activity and funding plans will need to change to ensure that we are able to continue to balance our Business Plans and Budgets in a post-coronavirus operating environment.

Gross income

Gross income breakdown by type (£m)

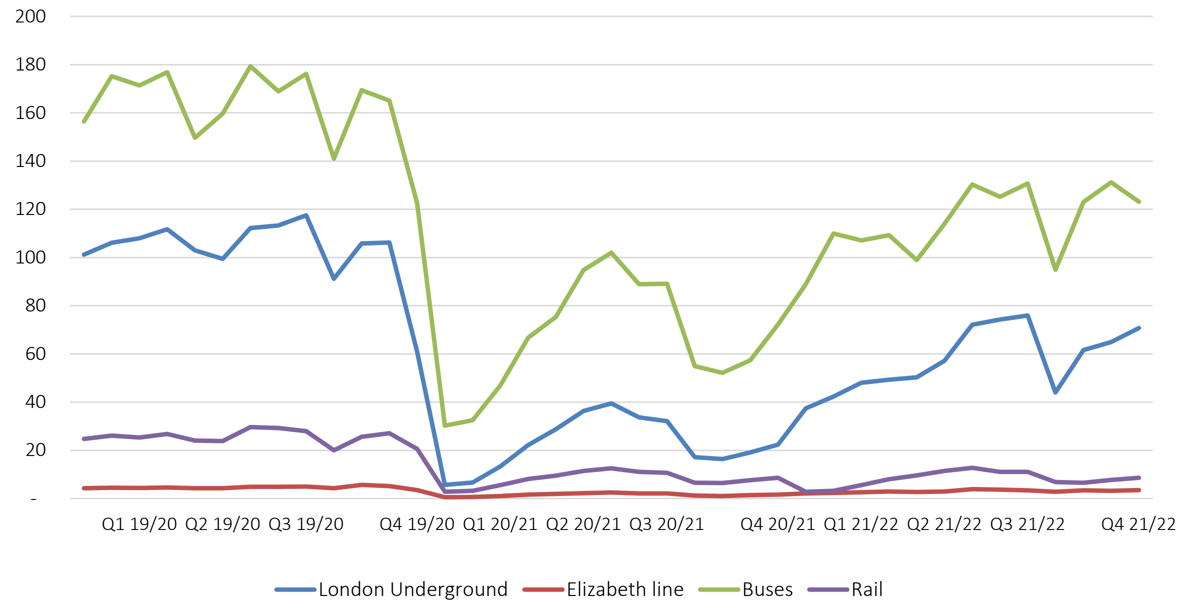


Total gross income increased by 80 per cent from £2,396m in 2020/21 to £4,313m in 2021/22, reflecting the reduction in pandemic related restrictions meaning that customers have been freer to travel and to use our services.

Narrative Report and Financial Review (continued)

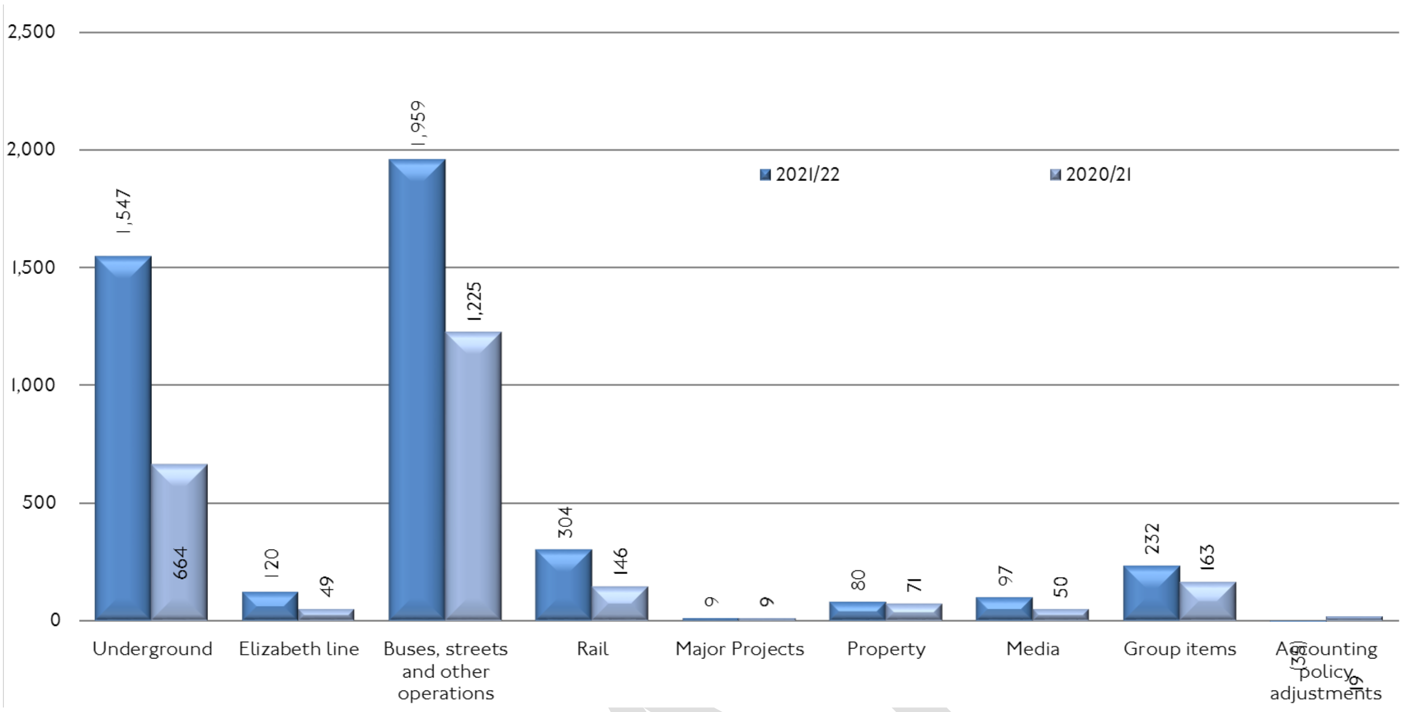
TfL's primary source of income comes from passenger fares income. Currently fares make up around 73 per cent of TfL gross income. Fares income has increased from £1,600m in 2020/21 to £3,154m in 2021/22, almost double that of last year, although it has not fully recovered, reflecting the varying Government restrictions and guidance throughout the year as the pandemic evolved and the changes in travel patterns the pandemic has caused.

Passenger journeys per period (in millions) over the three years to 31 March 2022



Narrative Report and Financial Review (continued)

Total gross income by operating division (£m)



Total gross operating income for the Underground was £1,547m, which is £883m higher than 2020/21. The fares component made up the majority of this increase as a result of the increase in passenger journeys from 296 million to 748 million in 2021/22 (a 153 per cent increase). At the end of 2021/22 we are still running at around 65 per cent of pre-pandemic levels indicating the need for continued Government support.

Gross income for the Elizabeth line division (currently operating as 'TfL Rail') increased by 145 per cent from £49m in 2020/21 to £120m in 2021/22. Within this total, passenger income increased from £41m to £93m reflecting the 100 per cent rise in journeys over the year.

Income from Buses, streets and other operations rose 60 per cent from £1,225m in 2020/21 to £1,959m in 2021/22. Within this total, passenger income for the Buses, at £1,121m, was £412m favourable to the prior year, owing to the reduction of pandemic related restrictions which had impacted passenger demand. Fares income from the Emirates Airline, at £7m for the year, was £5m higher than the prior year total.

Road user charging income, at £684m, was £285m higher than 2020/21 levels. Congestion Charge revenues for the full year increasing from £316m in 2020/21 to £423m in 2021/22. In December 2021, we confirmed some permanent changes to the Congestion Charge to help reduce traffic and congestion in central London. This followed an extensive public consultation that saw nearly 10,000 responses. Since

Narrative Report and Financial Review (continued)

February 2022, there are no charges in the evenings after 18:00, and operating hours on weekends and bank holidays have been reduced to 12:00-18:00. The increased charge level of £15 has been retained.

In October 2021, we expanded the Ultra Low Emission Zone (ULEZ) from central London up to, but not including, the North and South Circular roads, making it the largest zone of its kind in Europe. This expanded zone, alongside tighter Low Emission Zone standards for heavy vehicles introduced in March 2021 across London, is expected to reduce nitrogen oxides emissions from road transport by 30 per cent. The expansion of ULEZ saw income rise from £77m in 2020/21 to £226m in 2021/22.

In the Rail division, income at £304m was 108 per cent above prior year levels. Within this, passenger income of £291m increased £151m above the 2020/21 total, with the increase in passenger demand and the return of the Night Overground services. Passenger journeys on the London Overground increased to more than double the prior year figures, from 54 million to 112 million, while journeys on the DLR increased from 40 million in 2020/21 to 77 million in 2021/22.

Within the Property division income rose slightly from £71m in 2020/21 to £80m 2021/22 as revenue streams continue to be impacted by, the pandemic, as footfall and thus trade was reduced for our tenants and at our car parks. The Group's focus throughout the pandemic has been to support and retain tenants, enabling them to continue trading over the long term as far as possible. Towards the later part of the year, trade started returning to more normal levels, with new lease activity ticking up.

Within the other divisions, Media saw a 94 per cent increase in revenues to £97m in 2021/22 as passengers return to our services and confidence in the advertising industry strengthens and Major projects remained consistent at £9m.

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

Government grants and other funding

In 2021/22, TfL received short-term funding deals from the Government to support the running of our operations following the dramatic fall in our fares. The DfT contributed revenue grant funding totalling £1,717m to TfL in 2021/22 (2020/21 £2,457m) under a number of Extraordinary Funding and Financing Agreements. In addition, TfL continued to receive funding from the GLA as part of local authority devolved arrangements. The Mayor retains a share of London's business rates and then allocates a proportion of this to TfL as a resource grant.

Narrative Report and Financial Review (continued)

Other sources of grant income included specific capital grant from the GLA for the Crossrail project and other projects, such as DLR rolling stock replacement, Elephant and Castle infrastructure projects, communication networks on the Underground and other contributions from third parties.

The total of resource and capital grants receivable by TfL in 2021/22 amounted to £4,351m (2020/21 £4,732m).

Prudential borrowing

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

Movement in borrowing (£m)	
Opening borrowing at 1 April 2021 per the accounts	12,968
Public Works Loan Board (PWLB) loans – eight tranches borrowed due between 2029-2056	728
DfT Crossrail loans	74
Repayment of rolling short-term Commercial Paper	(108)
Scheduled repayments on PWLB and European Investment Bank (EIB) loans	(696)
Closing borrowing at 31 March 2022 per the accounts	**12,966**

The authorised limit for direct borrowings for the Corporation set by the Mayor for 2021/22 was £14,494.8m.

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

Uses of funding

Gross expenditure

Gross expenditure, which includes day-to-day operating costs as reported to management (see note 2 to the financial statements) and accounting policy adjustments (including depreciation and amortisation) increased by five per cent from £7,405m in 2020/21 to £7,771m in 2021/22. Excluding accounting policy adjustments, expenditure increased by 1.5 per cent from £6,381m to £6,478m.

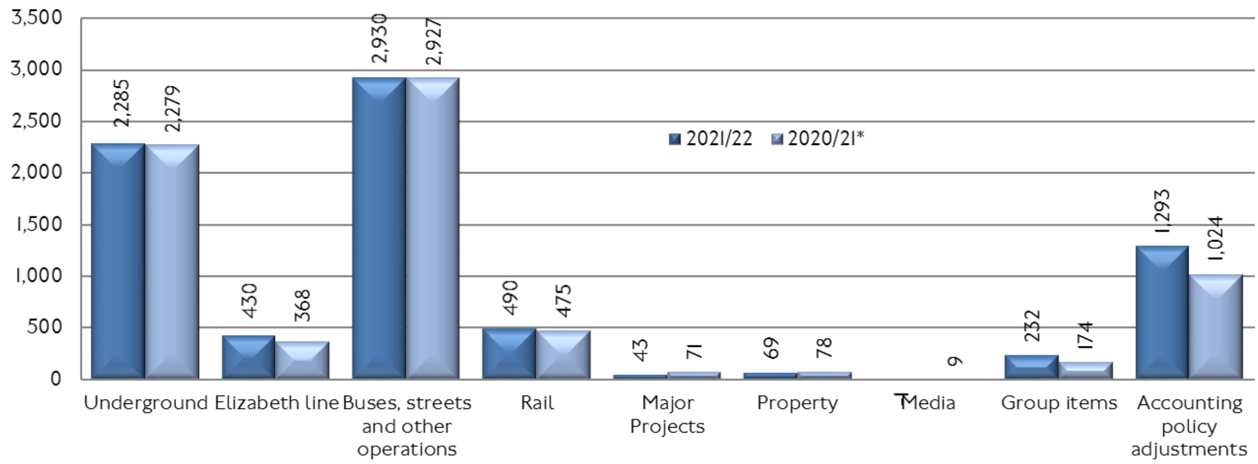
Narrative Report and Financial Review (continued)

Year-on-year costs of operations (£m)

	2022	2021
Cost of operations per internal management reports	**(6,478)**	(6,381)
Adjust for one-off items incurred	**35**	177
Adjust for investment programme operating costs included in operating expenditure	**157**	255
Adjust for Elizabeth line direct operating costs	**422**	337
Adjust for other new services	**85**	9
Adjust for one-off coronavirus savings	**-**	(126)
Cost of operations (like-for-like basis)	**(5,779)**	(5,729)
Year-on-year increase	**(50)**	
Year-on-year percentage increase	**0.9%**	

Like-for-like operating costs have remained stable with only a 0.9 per cent increase after adjusting for new services such as the Northern line extension, the ULEZ expansion and the Elizabeth line. We remain focused on increased spend controls and reducing our core costs where possible,

Gross expenditure by operating division (£m)



* figures for 2020/21 have been restated to align with revised internal management structures

On the Underground, costs increased marginally by £6m (two per cent) in the year, reflecting a continued emphasis on driving down costs while maintaining a safe and reliable network, as well as savings derived from lower indirect overheads allocated to the division.

Total operating expenditure on the Elizabeth line at £430m was £62m (17 per cent) higher than the prior year figure of £368m, as costs increased resulting from preparations leading up to the successful opening of the Elizabeth line on 24 May 2022.

Narrative Report and Financial Review (continued)

The cost of operating Buses, streets and other operations at £2,930m was broadly in line with the prior year figure of £2,927m.

Operating expenditure for the Rail division increased by three per cent from £475m in 2020/21 to £490m in 2021/22.

Property and Media costs, however, both decreased during the year – from £78m to £69m for Property, and from £9m to a surplus of £1m in Media, this was owing to the reversal of a IFRS 9 expected credit loss provision following the settlement of outstanding roadside advertising for 2020/21.

Spend in Major projects decreased, by 39 per cent to £43m. During 2020/21 TfL brought all construction project costs to a temporary Safe Stop during the initial phases of the first lockdown which increased non-capitalisable spend in the prior year.

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

As set out in note 2, Accounting policy adjustments primarily represent charges not included in internal management reporting. The most significant line item within this balance comprises depreciation, amortisation and impairment charges recognised in relation to property, plant and equipment and intangible assets. The total of these charges increased from £1,351m in 2020/21 to £1,410m in 2021/22. This category also absorbs the difference between the accounting methodologies used in the statutory versus the management accounts. The most significant of these relate to the treatment of defined benefit pension schemes, and to the treatment of former operating lease payable arrangements. In our management accounts the costs of these items are recognised within operating expenditure based on cash flows, whereas in the statutory financial statements, as set out in the Accounting Policies notes to the accounts, IFRS 16 Leases and IAS 19 Employee Benefits are applied.

Net interest and finance income/charges

Gross financing and investment expenditure for the year was £502m, £97m below the prior year.

This decrease was primarily a reflection of valuation losses of £83m recognised in relation to the Group's investment property portfolio in the prior year. In 2021/22 £93m of valuation gains had been recognised within financing and investment income.

Narrative Report and Financial Review (continued)

Also within this overall total, interest payable on direct borrowings decreased by one per cent from £437m to £433m. This decrease is the result of lower market rates achieved on borrowing refinanced during 2021/22. As at 31 March 2021, TfL had a nominal £12.995bn of borrowings, of which approximately £0.8bn was short-term borrowing under the Commercial Paper programme. The weighted average interest rate was 3.2 per cent and the borrowings had a weighted average remaining life to maturity of 16.8 years. As at 31 March 2022, the nominal value of borrowings outstanding had decreased to £12.994bn, of which £0.7bn was short-term Commercial Paper. The weighted average interest rate was 3.2 per cent and the borrowings had a weighted average life to maturity of 16.7 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 2021/22 totalled £115m (£90m in 2020/21).

Interest payable on leases, including contingent rentals in respect of PFIs, fell from £73m in 2020/21 to £71m in 2021/22, primarily reflecting the fact that a number of the Group's PFI liabilities were fully settled during the year. The Group's net interest expense in respect of its defined benefit pension scheme obligations increased from £90m in 2020/21 to £106m in 2021/22.

Gross financing and investment income totalled £203m, an increase of £153m from 2020/21. The increase was primarily a reflection of the fact that £93m of investment property valuation gains recognised within financing and investment income in 2021/22, which replaced valuation losses of £83m in 2021/21.

Gains from the disposal of investment properties increased from £36m in 2020/21 to £105m in 2021/22. Interest receivable on finance leases held in respect of advertising assets reduced from £3m in 2020/21 to £1m in 2021/22.

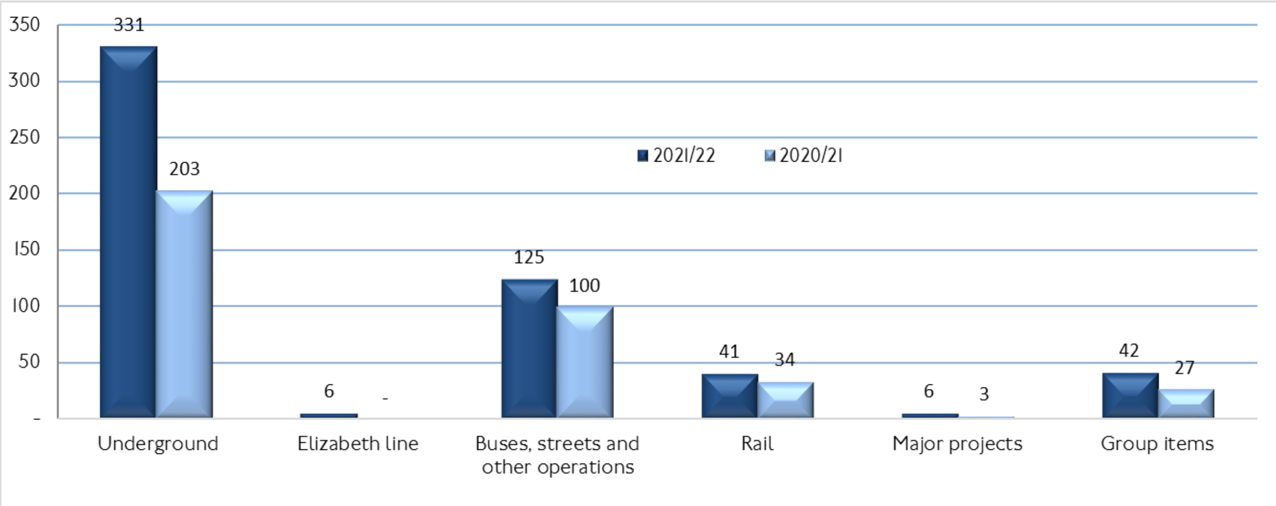
Investment returns on cash and other investment balances fell during the year, from £7m in the prior year to £3m in 2021/22, reflecting both lower average cash balances during the year, and lower rates of return.

Capital expenditure

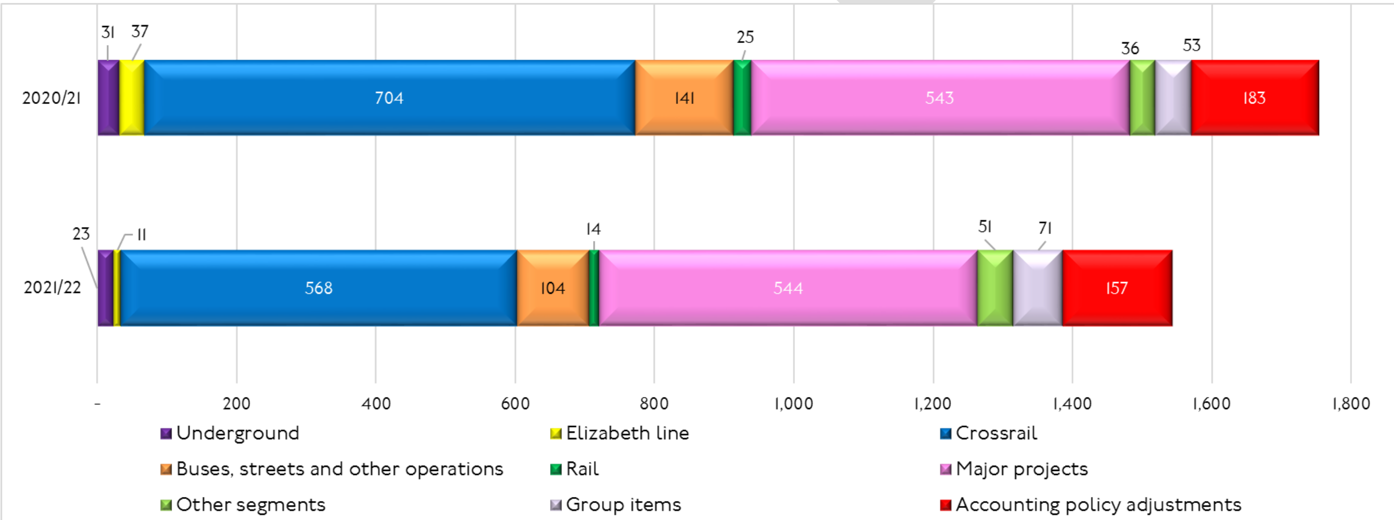
Total Group capital expenditure for the year, including Crossrail, totalled £2,099m (2020/21 £2,120m). Non-Crossrail related expenditure totalled £1,441m (2020/21 £1,416m). Within this total £551m was spent on capital renewals (2020/21 £367m) and £890m (2020/21 £1,049m) was spent on new capital investment.

Narrative Report and Financial Review (continued)

Capital renewals by business area (£m)



New capital investment by business area (£m)



On the Underground, capital expenditure totalled £354m, up from £234m in the prior year as we started to recover from the pandemic. This included £23m of new capital investment and £331m of asset renewals spend.

Harrow-on-the-Hill was the 12th station to be delivered by the Accessibility programme and means that 33.5 per cent of Tube stations are now step-free. Work on the final three stations in the current programme has been paused while our funding position is clarified.

The redevelopment scheme at Tottenham Hale, which includes a new integrated ticket hall providing seamless step-free interchange with National Rail, was successfully brought into customer service on 13 December 2021.

Work is progressing on co-funded station enhancement schemes at Knightsbridge and Paddington, which are on target to be open to the public next year.

Narrative Report and Financial Review (continued)

We achieved our key programme milestone by installing eight kilometres of new track in the year and replaced 12 sets of points at Northfields over the Christmas period, which will enable the future Piccadilly line trains to be introduced and run safely through the area. We took delivery of two rail-mounted cranes and eight tilting wagons for modular points and crossings renewals which will yield significant time and quality benefits.

Our ongoing programme of modernisation works on the Bakerloo, Central and Jubilee line fleets is critical to improving safety, reliability, accessibility and lowering our running costs. These projects continue to progress with detailed design validation through the installation and testing of prototype systems. In addition, we are continuing to deliver large-scale heavy maintenance work on our fleet.

Contracts have been signed for the Central line signalling and control system life extension. The first five-year tranche of the incremental signalling upgrade programme is progressing well, with concept and detailed design starting on updating the Bakerloo line control system.

We are continuing to upgrade key components of our Connect radio system and are now focusing on rolling out new radio hardware base-stations which will enable the Connect system to function into the 2030s. We have delivered Critical Incident Management functionality at 62 stations, enabling us to remotely control and evacuate a station in the event of a critical incident, and upgraded our CCTV at 75 stations. To tackle fare evasion, we have continued work to enable us to target fare evasion more effectively which has directly contributed to the identification and prosecution of fare evaders.

On the Elizabeth line, capital investment expenditure of £17m was incurred, primarily in relation to station improvements.

Total capital expenditure within the Buses, streets and other operations division of £229m is £12m lower than in 2020/21. Within this total, the amount spent on renewals increased from £100m to £125m.

Despite the continued impact from the pandemic the division delivered significant projects in the year, including the expansion of the ULEZ to the north and south circular roads, the continued addition of zero emission buses to the London Fleet, and the publication of the Electric Vehicle Infrastructure Strategy. The commitment to cutting carbon is in support of the Government's wider plans to cut CO2 emission in the UK by 68 per cent by 2030, compared to 1990 levels. The compliance figures for vehicles to meet the ULEZ standards have been higher than expected and is a strong indicator in the success of the scheme.

On the roads we continue to prioritise and deliver key asset renewals, and we balance a core of smaller annualised schemes with a number of key asset interventions. Our work on the A40 Westway has seen us complete a number of full weekend closures, and we are on track for delivery of the first phase of work by summer 2022. We broadly completed our scheme on Westminster Bridge to install Hostile Vehicle Mitigations, which will improve safety on the bridge. We continued our programme of essential carriageway renewals by delivering over 350,000m2 of works.

Active Travel investment continues to be a shared objective between TfL, GLA and the Government, and we have delivered some really good outcomes in 2021/22. More than 20kms of cycling routes were completed or under construction by 31 March 2022. Work is progressing on Old Street Roundabout, and we expect to complete the scheme in Spring

Narrative Report and Financial Review (continued)

2023. In 2021/22 we reduced the speed limits on almost 30km of TfL's road network, surpassing our strategic milestone of 25km.

The Major Projects Directorate is responsible for our largest and most complex projects which include line upgrades, network extensions, major station upgrades and capacity improvements. Capital expenditure in the directorate totalled £550m in 2021/22, including £544m of new capital investment.

Within this overall total, £53m was spent during 2021/22 on the Northern Line Extension. On 20 September 2021, two new stations at Nine Elms and Battersea Power Station welcomed their first customers. The two step-free Zone 1 stations have improved the connectivity of these vibrant south London neighbourhoods and have contributed to the Capital's recovery from the pandemic. The team is now focused on closing out snagging items, completing assurance documentation, and working towards project closure in 2022. The project came in £160m under planned spend, bringing its estimated final total cost to £1.1bn, despite the cost pressures brought about by the pandemic.

£132m was spent on the Four Lines Modernisation project. This project is transforming some of the world's oldest underground lines into a high performing, modern railway. Following the introduction of 192 new, larger, walkthrough trains across the Circle, District, Hammersmith & City and Metropolitan lines, we are now in the process of replacing and improving outdated signalling, power and depot assets. Two major signalling milestones were achieved in this financial year, firstly on 24 April 2021 when Signalling Migration Area 4 went live. This extended the section of new signalling on the District and Circle lines from Monument to Sloane Square, paving the way for frequencies to be increased and service reliability to be further improved once the whole route has been similarly automated. Secondly, on 27 March 2022 when a new signalling system went live in Signalling Migration Area 5 between Sloane Square, Paddington, Fulham Broadway and Barons Court. This phase involves upgrading the highly complex junction at Earl's Court and marks completion of upgrades to the new signalling system on the entire Circle line.

A further £153m was invested in relation to manufacture of the new Piccadilly line rolling stock. The stage one assurance for the new trains was completed on 14 December 2021, ahead of target. On 15 December 2021, the new Piccadilly line train cab mock-up arrived at the Tunnelling and Construction Academy in East London from Siemens in Germany before moving to the innovation hub at Siemens manufacturing facility in Goole. The Mayor and Chief Capital Officer visited Goole in March accompanied by news and trade journalists. The visit was intended to showcase not only the new trains (via the cab and saloon mock-ups both now located there) but also that investing in London supports jobs and growth throughout the UK. We awarded the HV Power Immunisation Design and Build contract and expect to award the HV Power Immunisation framework in Spring 2022. We also awarded the depot delivery integrator contract to the joint venture of Lendlease Construction (EMEA) Ltd & Jacobs UK Ltd in December 2021.

The programme has established a carbon footprint baseline which will be used to identify top carbon risks and opportunities as well as to monitor effectiveness of programme delivery in support of both the Mayor's and TfL's ambition for a zero-carbon railway by 2030.

£74m was invested in the Major Stations Upgrade programme. At Bank Station, the preparatory works for the Northern Line Bank branch closure were concluded and the 17 week line closure between Kennington and Moorgate started as planned on 15 January 2022. We ran an extensive communication, marketing and operational campaign to manage travel demand and minimise the impact on customers during this time. The line re-opened right on schedule on 16 May 2022 and when our customer arrive at Bank, they will be greeted by a new wider southbound Northern line platform and a spacious new customer concourse. Three new passageways have also been completed, which will make moving around the station quicker and easier for customers. The installation of 12 escalators, two moving walkways, power, lighting, fire and communications systems has progressed to plan. The testing and commissioning of all systems is being conducted in tandem to prepare for handover to operations for passenger use.

Our new DLR rolling stock programme is manufacturing 43 new trains – 33 to replace the expired B92 fleet and 10 to increase capacity. It also includes an expanded depot at Beckton to stable and service the new fleet and signalling modifications to the Thales automatic train operation system to work with the new trains' functionality. £93m was spent on the programme in this financial year. Rolling stock manufacturing is underway by CAF Construcciones y Auxiliar de Ferrocarriles with 20 car bodies in production and the first two trains assembled, Dynamic Testing is proceeding to plan on the manufacturer's test track in Spain. We have completed the acquisition of the land at Beckton adjoining the current depot which is needed for the construction of the additional sidings funded by the Housing Infrastructure Fund. Activities are underway for the submission of planning permission to allow works on the land later in the year. We are awaiting confirmation from Government before activating an option in the existing rolling stock contract to purchase trains 44 to 54, providing additional capacity and unlocking further housing benefits.

£29m was spent on Barking Riverside Extension, a London Overground extension between Gospel Oak and Barking to serve a new station at Barking Riverside. Barking Riverside is the largest housing development in east London, with planning permission for up to 10,800 new homes. Delivery of the physical works is well advanced, with the installation of track on the viaduct completed as planned in October 2021.

We are installing the remaining rail systems on the viaduct, ahead of the final signalling stage commissioning.

Other projects progressed by the Major projects division included the Silvertown Tunnel, a new 1.4km long twin-bore road tunnel linking the A102 Blackwall Tunnel Approach on the Greenwich Peninsula to the Tidal Basin Roundabout in the Royal Docks area. The design, build, finance and maintain contract was awarded to the RiverLinx consortium in 2019. Good progress has continued on site this year, including significant piling operations and excavation works to construct the tunnel boring machine launch, rotation and retrieval chambers and the main components of the tunnel boring machine have arrived on site. Our contracts for further transport and traffic, socio-economic and environmental monitoring are progressing well with significant further modelling and analysis work now underway. This will support us in setting the initial user charges at the Silvertown and Blackwall tunnels, developing the new cross-river bus services, and allow a refreshed assessment of the scheme's environmental effects in advance of opening in 2025.

New capital investment in the "Other" category, totalled £51m, reflecting expenditure in the Property division on both the existing commercial estate and new housing developments.

Narrative Report and Financial Review (continued)

We continue to make progress across our estate to deliver new homes for Londoners, and improve our existing property assets which are home to hundreds of small and medium sized businesses across the capital.

We gained approval from the Secretary of State for our project at Wembley Park being delivered with Barratt London. Enabling works started at the end of the financial year, and the site is being transformed into 454 homes, 40 per cent affordable housing alongside a new retail, improvements for the local community, and refurbished space for operational staff. This brings our total number of homes currently in construction to 1,700.

Connected Living London (CLL) – our joint venture partnership with Grainger plc – will be delivering 162 quality rental homes. Our proposals will have a beneficial impact on the area, with high quality design, respectful of the Grade II listed station building, and that it would reduce vehicle traffic.

Our search for a development partner to build our 852-home project at Bollo Lane, in Acton also progressed. We shortlisted four potential delivery partners and hope to appoint a partner at the end of 2023. We completed our deal at Liberty of Southwark with our development partner U+I. This will deliver around 141,000sqft of commercial workspace and 36 homes, including 50 per cent affordable housing.

During the year, £568m was spent on the Crossrail project. Delivery of the Elizabeth line is now in its complex final stages of delivery. The latest milestone being the opening of the central operating section on 24 May 2022.

In March 2021, the Project hit the important milestone of entering the Trial Running phase under Railways and Other Guided Systems regulations. This involved operating multiple trains within the new tunnels to demonstrate how the infrastructure and operating software performed. Trial Operations commenced in Nov 2021 and involved operational exercises being carried out to ensure the safety and reliability of the railway for public use, and to fully run the timetables.

More than 150 real-life scenarios were carried out to provide key learnings ahead of Passenger Service, making sure that all systems and procedures work effectively, and staff can respond to any incidents. This involved collaborating on the response to the trial scenarios with thousands of staff volunteers and Emergency services. Following the completion of Trial Operations, there was a period dedicated to timetabled running to demonstrate improved reliability across the railway.

All central section stations except for Bond Street are now ready to support passenger service. Bond Street has been decoupled from the opening of the railway as per the Earliest Opening Plan agreed with the Sponsors in 2019. Good progress continues to be made at Bond Street station but this will not be fully operational until after the opening of the central section in May 2022.

Following the opening of the Central Operating Section, Elizabeth Line services from Reading and Heathrow through the central tunnels to Shenfield and Abbey Wood could be implemented from late 2022, with the final timetable being in place in 2023.

Narrative Report and Financial Review (continued)

Expenditure of £113m on Group items included £49m of new capital investment spent on the Emergency Services Network – a programme, funded by the Home Office, to deliver a new 4G emergency services mobile communications solution. Once live the network will provide mobile connectivity services to enable emergency services teams throughout the London Underground environment to communicate. Completion of this network has now been incorporated into the Telecommunications Commercialisation Project Concession Agreement. Additionally, through investment by the concessionaire, Commercial Mobile Services will also be offered in addition to the creation of a Fibre Network and the utilisation of TfL's Streetscape Assets for the deployment of small cells enhancing 5G coverage.

Cash and investments

Total cash, cash equivalents and investments with maturities greater than three months held by the Group at 31 March 2022 amounted to £1,409m, a decrease of £320m since the end of 2020/21, driven by the impact of the coronavirus pandemic. Of the total cash balance, £122m is held for the Crossrail project, London Transport Museum Limited, London Transport Insurance (Guernsey) Limited and TTL Properties Limited. Our cash position reflects £4.8bn, received from the Government as part of the extraordinary financing and funding packages since the start of the coronavirus pandemic.

Our liquidity policy requires us to maintain cash reserves equivalent to at least 60 days' worth of forecast annual operating expenditure (currently around £1.2bn). During 2021/22, our cash reserves remained above this minimum level.

The average yield from TfL's cash investments for 2021/22 was 0.10 per cent, down from 0.12 per cent in 2020/21. 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 2022 amount to £156m.

Treasury risk management

In March 2021, the Board approved TfL's Treasury Management Strategy (TMS) for 2021/22 and its treasury policies. The strategy and policies have regard to the principles of the Code of Practice and Cross-Sectoral Guidance Notes for Treasury Management in the Public Services (2017 Edition) and to the Prudential Code for Capital Finance in Local Authorities (2017 Edition), both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). CIPFA published a revision to these two Codes of Practice in December 2021, which are to be fully implemented for the 2023/24 financial year. The revisions include additional disclosure requirements for investment categories and new indicators, these will be incorporated into TfL's TMS and treasury policies, as appropriate, in due course. TfL's TMS and treasury policies also have regard to the Statutory Guidance on Local Authority Investments issued by the Ministry of Housing, Communities and Local Government (as was), 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 TMS, policy matters and for submitting proposals to the Board. From 2021/22 the approval of TfL's treasury strategy and policies was delegated from the Board to the Finance Committee.

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

Senior management continually monitor the Group's overall exposure to currency, inflation and interest rates as they affect its operating and commercial activities, as well as its financing activities (financial costs and investment returns on cash balances). TfL's objective under the 2021/22 borrowing strategy was to manage its borrowings in a manner that is affordable, sustainable and prudent, and combines value for money, flexibility, security of access to funds, and diversity of funding sources. TfL's investment strategy continues to reflect a low risk appetite consistent with the good stewardship of public funds and prioritises security and liquidity over yield.

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

Counterparty credit

The Group's exposure to credit-related losses, i.e. non-performance by counterparties on financial instruments, is mitigated by setting a minimum required credit rating and applying financial limits based on credit ratings. For 2021/22, TfL continued to follow a conservative investment strategy, investing in: the UK Government and its executive agency, the UK Debt Management Office (DMO); selected financial institutions with high (investment grade) credit ratings; selected supranational or sub-sovereign agencies; selected Money Market Funds; highly rated corporates; and other highly rated sovereign governments. In addition to Sterling investments, TfL had investments in Euros which were swapped back into Sterling as a matter of course. The amounts that can be invested with the UK Government and the UK DMO were not limited, while amounts invested with other institutions were based on their credit rating. Investments outstanding at 31 March 2022 were with counterparties with credit ratings of P-1/A-1 or higher. Credit ratings are obtained from the three main rating agencies and are kept under review on an ongoing basis.

Funding and liquidity

In the year to 31 March 2022, primary funding sources comprised passenger fares income, other income including commercial activity and Road User Charging, grant income (including extraordinary grant from the DfT and TfL's share of London's Business Rates) and cash reserves as well as Prudential Borrowing within approved Mayoral and Government affordable debt limits. By harnessing the assortment of funding sources available to TfL, liquidity risk is primarily managed by maintaining a minimum level of cash reserves of at least 60 days' worth of forecast annual operating expenditure, equivalent to approximately £1.2bn.

Maintaining sufficient cash reserves and having access to a range of flexible funding sources ensures the Group has sufficient liquidity to meet its liabilities, in both normal and stressed conditions. Although it has no immediate plans to borrow in the near term, TfL is able to access several sources of debt funding within the prudential borrowing limit set by the Mayor, including direct access to the UK DMO via the PWLB, the Commercial Paper market and debt capital markets, subject to market conditions.

Narrative Report and Financial Review (continued)

With respect to managing the affordability of debt financing, debt maturities are diversified across short-, medium- and long-term horizons that broadly equate to the lives of assets purchased with this source of funding. The maturity profile of borrowing and other financial liabilities outstanding at 31 March 2022 is set out in note 34 to the accounts.

Foreign exchange rates

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

Interest rates

The proportion of fixed rate borrowings at 31 March 2022 was 91.3 per cent; the remaining 8.7 per cent constituted PWLB floating rate loans and Commercial Paper borrowing which, although it has fixed rates of interest, in practice behaves more like floating rate debt if used on a rolling basis.

Pensions

As at 31 March 2022, the majority of TfL's employees were members of the TfL Pension Fund. The Public Sector Section's deficit decreased from £5,372m at the start of the year to £2,997m at the end of the year, as a result of a change in the financial assumptions adopted. The increase in gilt yields decreased the liabilities over the accounting period. This was partially offset by an increase in expected inflation.

Other factors that contributed to the decrease in the deficit were the return on assets being higher than expected (based on last year's discount rate), updating the base mortality assumption to reflect the latest triennial valuation for the Fund and updating to the latest model for mortality rate improvements.

The total deficit recognised in respect of all funded and unfunded pension arrangements at 31 March 2022 amounted to £3,201m (2021 £5,603m).

The latest available full actuarial valuation of the TfL Pension Fund was carried out as at 31 March 2021. The 2021 valuation showed a combined surplus on the Public Sector and Tube Lines Sections for funding purposes of £179m; and, as a result of this, the employers agreed a revised Schedule of Contributions with the Pension Fund.

Prospects, outlook, and principal risks

Viability statement

TfL is one of the only major cities in Europe not to receive a regular Government grant to cover day-to-day operations, with fares making up over 70 per cent of our operating budget, pre-pandemic. Our efficiency programme meant that we had been on a path to break even on the cost of operations, maintenance, financing costs and core renewals, having taken almost £1bn out of our net operating costs over the four years prior to the pandemic. Despite this, we still required external support for capital investment. While, historically, TfL was able to borrow to fund its capital plans, the fact that its debt burden has now reached the limits of affordability means it can no longer continue to borrow significantly in the future without substantial new income streams. As a result, even before the pandemic, an expected shortfall of around £1bn per annum in constant prices had been identified from 2025 onwards in relation to the delivery of the 2019 capital plan.

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

To keep the city moving throughout the pandemic while supporting the Government's guidance on social distancing, we have had to secure emergency financial support from the Government.

For the period 1 April 2020 to 31 March 2022, the Secretary of State for Transport has provided £4,174m of extraordinary funding grant through four distinct funding agreements. On top of this grant funding, a further £600m of additional borrowing from the PWLB was agreed in 2020/21.

In addition to this, under a further financing package agreed with the DfT in December 2020, an additional funding shortfall for Crossrail was covered by the GLA borrowing up to a further £825m from the DfT to be given, by the GLA to TfL, as a grant.

Despite this support, we have experienced a reduction in our cash and cash equivalents, and short-term investments from £2,209m at 31 March 2020 to £1,409m at 31 March 2022, as well as finding £160m of operating savings in the period from October 2020 to March 2021, and £300m of operating savings from April 2021 to March 2022, over and above those already planned as part of the TfL Efficiency Programme.

Due to the Omicron variant and Plan B restrictions, new demand insights have been limited, though pre-existing patterns continue to be observed. While it is not yet clear how travel patterns might change and how quickly demand levels will return to pre-pandemic levels, it is clear that a significant financial gap will remain over the next few years.

Narrative Report and Financial Review (continued)

On 25 February 2022, the latest funding arrangement was agreed covering the period to 24 June 2022. This provides TfL with a further £200m of base funding support in the first quarter of 2022/23, as well as continued revenue guarantee to the DfT's revenue scenario. Further details of conditions are set out in the going concern section of our Accounting Policies. We anticipate further government grant will be needed to support ongoing operating activities until 1 April 2023. To achieve the Government's stated key priorities, additional government support will be required on a longer-term basis to fund the capital investment programme.

The latest TfL Budget, published in March 2022, shows TfL requires circa £1.2bn of additional Government support in 2022/23, but this is on a clear declining trajectory from previous years. Crucially, it also shows a balanced budget from 2023/24 onwards without any emergency Government support. Therefore, this demonstrates TfL is on track to be financially sustainable from April 2023 onwards in line with the requirements of the funding settlements.

However, without any certainty on future capital funding support from Government, the TfL Budget has had to assume no capital funding is provided from April 2023. Therefore, while the TfL Budget shows the organisation can be financially sustainable without additional funding from April 2023, it delivers very different outcomes to the recommended 'Decarbonise by 2030' scenario outlined in the Financial Sustainability Plan (FSP). The 'Decarbonise by 2030' plan would have delivered significant benefits for London and the UK economy, whereas the current TfL Budget is based on an approach of 'managed decline' – deteriorating asset conditions, no new enhancement schemes, and very significant service reductions, which specifically entails an 18 per cent reduction of the bus network, and a nine per cent reduction on the Underground.

The Budget shows fare payers, London residents and road users (through the net proceeds of charging schemes being applied for relevant transport purposes) all contributing to closing TfL's capital funding gap, but excludes any national contribution, despite the benefits of London to the UK economy. These budgeted income sources collectively are not sufficient to cover the whole gap, because TfL has to not just replace lost passenger revenues from the pandemic, but also solve the structural funding issue that existed even before the pandemic due to the inability to continue to borrow to fund investment.

Without additional funding, deferring asset replacements and not enhancing London's transport network will continue into the long term. This constitutes the foundation for discussions with Her Majesty's Government (HMG) for the long-term capital funding that is required for TfL to move beyond the Managed Decline scenario and improve the outcomes TfL can deliver for London and in turn the UK.

Since the FSP, TfL and the Mayor have made significant progress in delivering Government conditions that move towards TfL financial sustainability, while also mitigating additional pressures which have emerged, to ensure that TfL reaches financial sustainability by April 2023. A path to financial sustainability that TfL were on prior to the pandemic.

Narrative Report and Financial Review (continued)

Passenger Income

Rebuilding TfL's ridership has been a key area of focus through the pandemic recovery. TfL has continued to do what is within its control to attract customers back onto its network, including delivering exceptional customer service, and creating a safe and clean environment on its buses, trains and in stations through its enhanced cleaning regime. At the end of 2021/22, the demand for services has now recovered to 68 per cent of pre-pandemic levels.

The central section of the Elizabeth line opened on 24 May 2022 and will create a new revenue stream boosting TfL's fares income.

To help TfL reach financial sustainability, fares on TfL services rose by RPI+1 per cent on 1 March 2022 and TfL continues to plan on the basis that its fares are uplifted by RPI+1 per cent on average in January 2023 and annually for at least the next three years, noting that this will be subject to a Mayoral decision.

In addition to this, to help meet the demand from the Government to raise additional revenue for TfL, there are several potential modifications to fares structures and ticketing which are expected to raise between £60-£80m per year. These will all be subject to full impact assessment and stakeholder engagement and/or consultation as appropriate. Decisions about fares are for the Mayor to take. Options include:

1. Apply an all-day peak fare for London Underground journeys between Zone 1 and Heathrow on the Piccadilly line
2. Explore the option to withdraw from the Travelcard Agreement
3. Make permanent the start time of 9am for free travel on TfL services available to holders of the 60+ photocard and the older person's Freedom Pass
4. Increase in the age of eligibility for the 60+ concession.

Commercial Development Activity

On 1 April 2022, TTL Properties Limited (TTLP) was financially separated from TfL as a fully self-financing commercial property company. TTLP has the twin objectives of supporting TfL's financial sustainability through delivering an increasing annual income stream and helping London's post-pandemic recovery, including through building thousands of new homes. TTLP's funding will come from a combination of receipts from property disposals and commercial debt. TTLP's capital programme sits outside the scope of TfL's core business and is not part of its definition of financial sustainability.

Narrative Report and Financial Review (continued)

Other Income Sources

The FSP assumed that there would be £500m in new income by 2023/24. In addition to the fares options detailed earlier in this section. An increase of £20 in the council tax Mayoral precept was implemented from the beginning of the 2022-23 financial year. This change will raise an estimated £172m for TfL annually over the next three years.

TfL is also consulting on a proposal to expand the ULEZ London-wide in 2023. The proposal is primarily designed to improve London's air quality but it is also expected to result in some revenue for TfL.

Operating expenditure

Financial sustainability cannot be achieved without TfL making significant savings in its cost base. Rising inflation poses a significant risk to TfL's operating costs. RPI assumptions have increased from 3.1 per cent in the FSP to 5.7 per cent in the TfL Budget for 2022/23. However, RPI is currently running higher than these assumptions.

Many savings established in the FSP have already been realised, with further savings planned and embedded in its budget including the commitment to delivering £730m recurrent operating expenditure savings during the 2019 Business Plan period (2019/20 to 2024/25).

Significant ongoing focus has been invested across TfL in identifying and delivering sustainable savings plans that protect service performance, customer satisfaction and revenues as far as possible. This includes extensive modernisation programmes in our customer services, line operation and asset operation functions, contract savings, and operating model changes for our professional services.

Service Levels

To meet the Government's requirements for savings, TfL is seeking to reduce service levels in a targeted, evidence-led way that reflects as best as possible emerging post-pandemic demand forecasts.

On TfL's bus network, to date there have been 8m km of annual service reductions, of the approximately 19m km that would constitute the four per cent reduction set out in the FSP.

On the Underground network, there have been off-peak service reductions on the Northern, Bakerloo, Jubilee and Waterloo & City lines. These changes constitute a 0.93m km reduction in annual train km operated.

Because of the potentially severe funding shortfall in the absence of further funding, recent TfL Budgets have had to assume we implement a "Managed Decline" that would include over time, a package that goes beyond the changes detailed above, and specifically entails an 18 per cent reduction of the bus network, and a nine per cent reduction on the Underground. This assumption has been made for entirely financial reasons. We continue to believe implementing these changes would be deeply harmful and is not justified by the demand trends we are observing.

They are also likely to be commercially inefficient and require very substantial internal resource to implement. It will therefore be a priority to use any additional funding we can secure to avoid this outcome.

Narrative Report and Financial Review (continued)

Pay, benefits and pensions

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

TfL froze base pay across TfL in 2021 (with the exception of pre-agreed pay agreements such as those in place in London Underground). It also suspended all performance award schemes for the year 2020/21. For 2021/22 and 2022/23, TfL has embedded within all its Performance Award arrangements an additional performance condition referred to as the 'Financial Overlay Trigger'. This additional condition means that no performance awards can be paid to TfL staff for the financial years 2021/22 and 2022/23 unless TfL achieves financial sustainability by April 2023.

TfL's June 2021 Extraordinary Funding and Financing Agreement contained a requirement from Government for us to carry out a review of the TfL pension scheme. The decision was taken that this review would be conducted independently, to be led by Sir Brendan Barber. An interim report was published in December 2021, which was followed by a Final Report in March 2022.

Renewals

The renewals forecast in the Budget is significantly below the requirement set out in the FSP. The budgeted renewals represent a 'do minimum' forecast based on TfL's asset management strategy.

The planned expenditure is a top-down financial constraint based on the need to have a balanced budget. TfL is in the process of a detailed review of its renewals requirements over the course of 2022, which will determine an affordable, deliverable level of optimal asset investment in the medium term.

Enhancements

Within the Budget, TfL is still spending significant amounts on capital enhancements. This is largely due to a small number of large, contractually committed projects where it is not economical to pause or cancel the project.

However, TfL's investment programme is missing significant opportunities to progress outcomes which are shared priorities with national government.

In July 2021, TfL delivered its Capital Efficiency Plan to HMG, which set out how we will consistently target, deliver and track efficiencies across all our capital delivery. It presented our aims for delivering significant capital savings over a five-year period to 2025/26, specifying the actions and milestones required to deliver these. TfL has been progressing with these actions since the report was delivered including publishing an annual update report in May 2022.

Long term funding

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

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

Enterprise Risk Management Framework

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

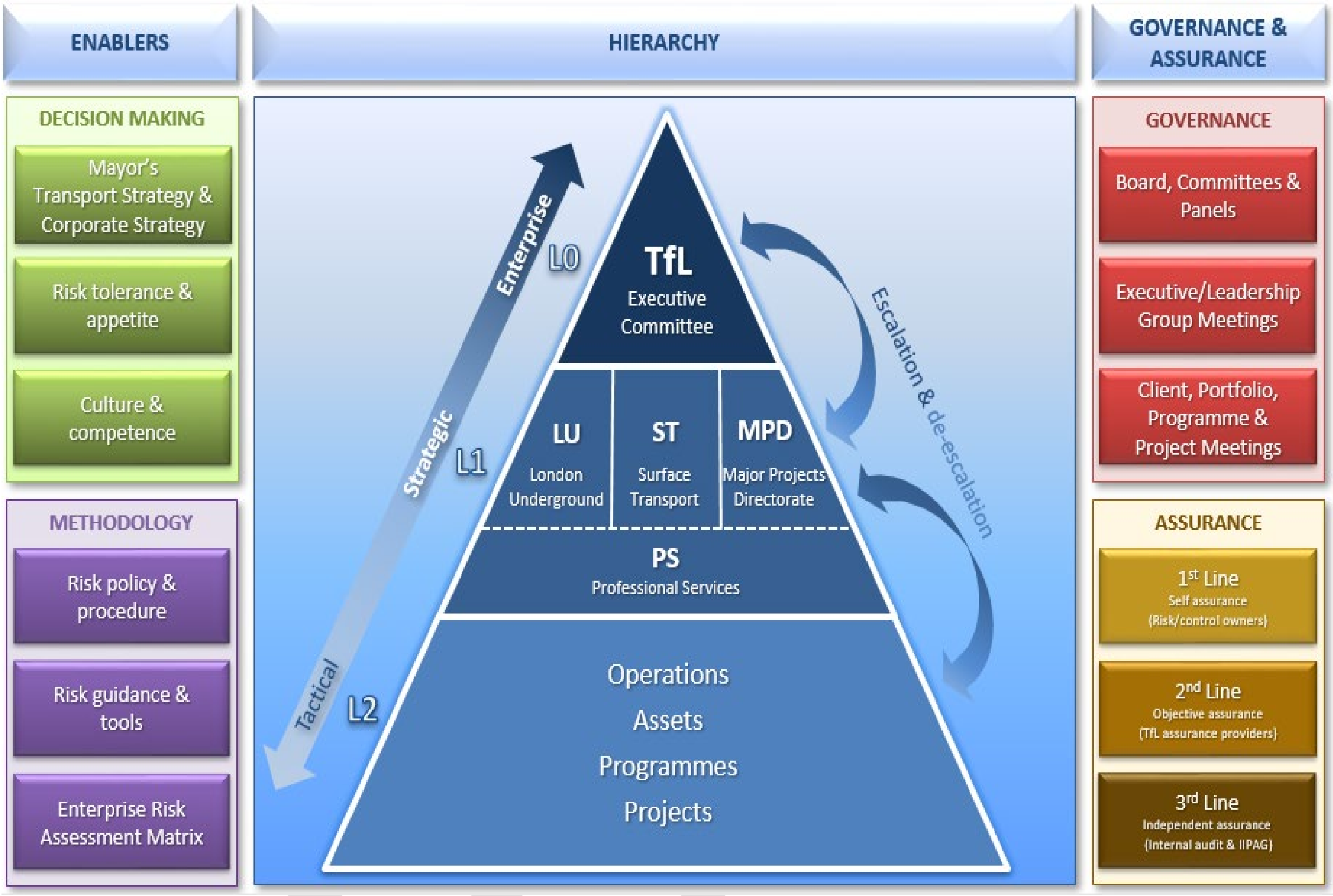
The risk hierarchy shown below will be updated to reflect the new TfL organisational structure. The update will take place following the informal risk discussion session with the Board and Executive Committee on 4 May 2022. Additionally, TfL's current 14 Enterprise risks and risk appetite will be reconsidered to reflect the key challenges cited by the Executive Committee and Board members. We are also looking to align the Enterprise risks to TfL's Vision and Values roadmaps.

The framework encapsulates three key elements for risk management:

- **ENABLERS** to good risk management include robust decision making and a risk management methodology. Risks are assessed against the Mayor's Transport Strategy bearing in mind TfL's risk tolerance and appetite.
- The **HIERARCHY** of risks throughout TfL enables consistent classification, escalation, and de-escalation of risks. Risks exist at three levels across the organisation, with agreed ownership from TfL's Executive Committee to departmental level.

Narrative Report and Financial Review (continued)

- The **GOVERNANCE AND ASSURANCE** arrangements related to risk management, including risk reporting at various levels of the organisation to the relevant governance forums. The Institute of Internal Auditors' Three Lines Model has been adopted.



Principal risks

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

TfL's Executive Committee reviews and discusses enterprise risks quarterly once a full assessment of each enterprise risk is carried out. The Audit and Assurance Committee is updated on key risk management activities every quarter and reviews the effectiveness of the risk process at least annually.

To ensure TfL continues to focus on the right risks as it emerges from the pandemic, our top-level enterprise risks are to be re-assessed and then will be considered individually by the Executive Committee in line with an agreed schedule. New themes have been emerging, and TfL needs to focus its efforts on identifying and mitigating challenges to achieving the five Vision and Values ambitions roadmaps; Customer, Green (including safety), Colleague, Finance and Foundation.

Narrative Report and Financial Review (continued)

TfL has modelled the systemic interconnectivity of its current risks to better understand causality and enable the identification of more effective strategic mitigations as illustrated below. Enterprise Risk 7 is excluded from the table as our long-term funding is the subject of ongoing discussions with the Government.

The table below details the key mitigations for the current Enterprise risks.

Risk	Title	Key Mitigations
ER01	Major Safety, Health or Environmental incident or crisis	• Improvements to the Safety, Health & Environment Management System • Contracts and Regulations • Policies and Programmes • Monitoring and benefits realisation • Strategies and targets that promote active, efficient and sustainable transport modes
ER02	Attraction, retention and wellbeing of our employees	• Annual People Planning Activity • Wellbeing Interventions • Talent Management • Reward Management • Critical role identification

Narrative Report and Financial Review (continued)

Risk	Title	Key Mitigations
ER03	Major service disruption	• Maintenance and renewals programmes • Weather plans • Operational and asset incident management • Operational resilience • Supplier management • Readiness review for major investments • 24/7 response with command and control'
ER04	Major security incident	• Security strategy, governance, and culture • Threat intelligence and security liaison • Security risk management systems • Security incident preparedness • TfL whistleblowing policy • Cyber security
ER05	Supply chain disruption	• Risk and issues Register • High risk supplier contingency plans • Regular communication with suppliers • Financial monitoring • Individual action plans

Narrative Report and Financial Review (continued)

Risk	Title	Key Mitigations
ER06	Loss of stakeholder trust	• Media monitoring and management • Election planning and political monitoring • Engagement programme • Active strategy to build consensus and alliances • Delivering funding campaign • Working with Stakeholders
ER08	Delivery of TfL key investment programmes and projects	• Project Management Office operating model • Capital Improvement Group (CIG) • Capital Efficiencies Plan (CEP) • Central project list and baseline
ER09	Changes in customer demand	• Scenario and risk-based planning • Business planning and budgeting • Transport Innovation • Forecasting methods
ER10	Inability to support new ways of working	• New ways of working steering group • Technology improvements, including asset refresh, roll out of Windows 10/Evergreen and training • Staff support, support for managers
ER11	Disparity leading to unequal or unfair outcomes	• Action on inclusion strategy • Inclusive design framework and programme • Equality impact assessments • Stakeholder engagement • Local community engagement and consultation

Narrative Report and Financial Review (continued)

Risk	Title	Key Mitigations
ER12	Asset condition unable to support TfL outcomes	• Asset inspections and monitoring • Asset Maintenance regimes • Asset renewals • Renewals, maintenance and technical assurance • Information analysis and risk assessment
ER13	Governance and controls suitability	• Standing orders • Governance framework and management system • Integrated assurance plan • Privacy and Data Protection compliance Programme • Enterprise Risk Management Framework
ER14	Opening of the Elizabeth line	• TfL Board oversight via Elizabeth Line Committee • Delivery management • Funding compliance • Critical resources management • Main contractor liaison

Climate change risk

Climate change risk is a growing threat that touches on a number of the enterprise risks and is captured within ER01 Major Safety, Health or Environmental incident or crisis. Further to this, work is in progress to develop an enterprise level Climate Adaptation risk.

The number and intensity of extreme weather events is increasing over time with periods of hot and cold weather, flash flooding and storm events. This year was the first time the UK experienced three named storms (Dudley, Eunice and Franklin) within a week since the current naming system was introduced. Storm Eunice resulted in widespread disruption across our operations, with trees and debris blown onto our networks. On 12 and 25 July 2021, heavy rainfall led to severe disruption on roads and Underground services, as well as damaging our assets. Extensive flooding or failure of assets (for example, embankments and failure of flooding controls and defences) have the potential to be catastrophic for London and TfL.

Narrative Report and Financial Review (continued)

Our data collection and monitoring systems do not currently allow for quantitative or comprehensive assessments of the impact of current weather events on our operations. Given funding constraints, this is likely to remain a challenge in the future. In the meantime, we have a dedicated programme of research to understand current and future extreme weather impacts, to help inform adaptation requirements.

This is a medium-term programme over several years that, is being supplemented by collaborative projects by universities and outside groups to highlight the impacts of extreme weather on our operations. This information helps make climate change adaptation a priority in our decision-making.

Effective adaptation of London’s transport networks cannot be designed and implemented in isolation. Cross-team, sectoral and cross-sector collaboration is crucial to ensure that gaps are avoided, duplication is minimised, and lessons are learned quickly to avoid unnecessary costs. Consequently, we are a regular and contributing member of several key groups.

Adaptation is now a key environmental priority for TfL’s Asset Strategy. We have completed our Adaptation Reporting Power 3 submission to the Department for the Environment, Food and Rural Affairs. This report sets out our main climate risk governance, strategy, approach to risk management, and a high-level asset climate risk assessment. The main risk areas for our assets are changes to temperature, precipitation, and storms, all of which have at least one risk score which is considered ‘major’ or above today. The number of risks scoring major or above is set to rise by 2050 and 2080. This assessment is vital in informing our long-term asset planning, to improve safety and reliability of our assets and services and will increase the cost effectiveness and timeliness of investment.

We are developing a Pan-TfL climate change adaptation plan which will focus on the actions needed across the organisation to improve our maturity in adapting to climate change impacts, and how we will report on progress. We are also working to increase awareness of the importance of green infrastructure for climate change adaptation. We aim to protect and increase green infrastructure and sustainable drainage measures, for example, to help mitigate surface water flood risk and provide shade and local cooling.

Narrative Report and Financial Review (continued)

External audit

Appointment, re-appointment and assessment of effectiveness

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

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

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

For 2021/22 a new audit partner, Janet Dawson, was appointed before the beginning of the financial year. TfL's Audit and Assurance Committee, through the use of questionnaires and reports, formally reviews the performance of the external auditors at least annually against the four criteria of:

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

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

Non-audit services

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

Narrative Report and Financial Review (continued)

Under TfL's policy on external audit services, Ernst & Young LLP is required to report to the Committee every six months on fees billed for non-audit services. During 2021/22, the non-audit services provided by Ernst & Young LLP were in respect of audit-related services provided in relation to the use of grant monies received and for procedures relating to regulation 4 of the Railway Safety Levy Regulations 2006. Total non-audit fees for the TfL Group represented two per cent of the total statutory audit fees paid in respect of the combined audit for the TfL and Transport Trading Limited (TTL) Groups, and 32 per cent of the audit fee of the Corporation as a single entity for 2021/22.

Accounting statements

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

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

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

Under the GLA Act 1999, the Corporation is treated as a Local Authority for accounting purposes and the Statement of Accounts, which includes the individual financial statements of the Corporation as well as those of the TfL Group, has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code), which is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements.

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

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

Narrative Report and Financial Review (continued)

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 2022.

Patrick Doig

Statutory Chief Finance Officer

[X] July 2022

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

[Placeholder for Independent Auditor's report]

Group Comprehensive Income and Expenditure Statement

Year ended 31 March	Note	Gross income 2022 £m	Gross expenditure 2022 £m	Net income/ (expenditure) 2022 £m	Gross income 2021 £m	Gross expenditure 2021 restated £m*	Net income/ (expenditure) 2021 restated £m*
Operating segment							
Underground		**1,547.0**	**(2,285.0)**	**(738.0)**	664.0	(2,279.0)	(1,615.0)
Elizabeth line		**120.0**	**(430.0)**	**(310.0)**	49.0	(368.0)	(319.0)
Buses, streets and other operations		**1,959.0**	**(2,930.0)**	**(971.0)**	1,225.0	(2,927.0)	(1,702.0)
Rail		**304.0**	**(490.0)**	**(186.0)**	146.0	(475.0)	(329.0)
Other segments		**186.0**	**(111.0)**	**75.0**	128.0	(158.0)	(30.0)
Group items		**232.0**	**(232.0)**	**-**	165.0	(174.0)	(9.0)
Net cost of operations per internal management reports	2	**4,348.0**	**(6,478.0)**	**(2,130.0)**	2,377.0	(6,381.0)	(4,004.0)
Accounting policy adjustments between management and statutory accounts	2	**(34.6)**	**(1,292.5)**	**(1,327.1)**	18.8	(1,023.8)	(1,005.0)
Net cost of services before exceptional items	2	**4,313.4**	**(7,770.5)**	**(3,457.1)**	2,395.8	(7,404.8)	(5,009.0)
Exceptional items	6			**-**			(29.4)
Net cost of services after exceptional items				**(3,457.1)**			(5,038.4)
Other net operating expenditure	7			**(36.2)**			(63.4)
Financing and investment income	8			**202.6**			49.4
Financing and investment expenditure	9			**(501.8)**			(598.6)
Grant income	10			**4,351.1**			4,732.3
Surplus/(deficit) on the provision of services				**558.6**			(918.7)
Group share of profit before tax of joint ventures	17			**7.9**			0.7
Group share of loss before tax of associated undertakings	18			**24.0**			(3.5)
Group surplus/(deficit) before tax				**590.5**			(921.5)
Taxation	11			**(86.2)**			10.5
Group surplus/(deficit) after tax				**504.3**			(911.0)

Group Comprehensive Income and Expenditure Statement (continued)

Year ended 31 March	Note	Gross income 2022 £m	Gross expenditure 2022 £m	Net income/ (expenditure) 2022 £m	Gross income 2021 restated £m*	Gross expenditure 2021 restated £m*	Net income/ (expenditure) 2021 restated £m*
Group surplus/(deficit) after tax				**504.3**			(911.0)
Other comprehensive income and expenditure							
Items that will not be subsequently reclassified to profit or loss							
Surplus on the revaluation of property, plant and equipment **	13			**21.9**			11.4
Surplus on the valuation of newly created investment properties	15			**49.0**			72.6
Deferred tax on the surplus on valuation of newly created investment properties	11			**(54.7)**			(0.7)
Net remeasurement (loss)/gain on defined benefit pension schemes **	35			**2,790.9**			(1,361.0)
				2,807.1			(1,277.7)
Items that may be subsequently reclassified to profit or loss							
Movement in the fair value of derivative financial instruments **	37			**52.7**			5.1
Derivative fair value loss reclassified to income and expenditure **	37			**10.2**			9.3
Discontinued hedging relationship	37			**(15.0)**			-
				47.9			14.4
				2,855.0			(1,263.3)
Total comprehensive income and expenditure				**3,359.3**			(2,174.3)

* Figures for 2020/21 have been restated to reflect a revised allocation of overheads to each internal management operating segment (see note 2).

** There is no tax effect of these items on other comprehensive income and expenditure in the years ended 31 March 2022 or 2021 (see note 11).

Group Balance Sheet

	Note	31 March 2022 £m	31 March 2021 £m
Long-term assets			
Intangible assets	12	**256.5**	149.3
Property, plant and equipment	13	**43,791.5**	43,093.9
Right-of-use assets	14	**2,209.9**	2,329.5
Investment property	15	**1,713.3**	1,458.7
Investment in joint ventures	17	**47.3**	41.3
Investment in associated undertakings	18	**197.5**	166.9
Long-term derivative financial instruments	30	**13.2**	0.2
Long-term finance lease receivables	19	**23.2**	28.6
Long-term debtors	21	**72.2**	52.2
		48,324.6	47,320.6
Current assets			
Inventories	20	**58.1**	51.5
Short-term debtors	21	**523.7**	493.1
Assets held for sale	22	**160.9**	95.5
Short-term derivative financial instruments	30	**1.4**	6.5
Short-term finance lease receivables	19	**13.8**	15.4
Short-term investments	23	**19.0**	19.0
Cash and cash equivalents	24	**1,390.2**	1,710.2
		2,167.1	2,391.2
Current liabilities			
Short-term creditors	25	**(1,846.9)**	(2,077.9)
Short-term borrowings	26	**(1,423.0)**	(1,198.1)
Short-term right-of-use lease liabilities	14	**(334.1)**	(329.3)
Short-term PFI liabilities	27	**(10.6)**	(9.9)
Other short-term financing liabilities	28	**(6.4)**	(6.2)
Short-term derivative financial instruments	30	**(6.5)**	(12.0)
Short-term provisions	29	**(99.3)**	(109.1)
		(3,726.8)	(3,742.5)

Group Balance Sheet (continued)

	Note	31 March 2022 £m	31 March 2021 £m
Long-term liabilities			
Long-term creditors	25	**(82.3)**	(56.7)
Long-term borrowings	26	**(11,543.3)**	(11,769.7)
Long-term right-of-use lease liabilities	14	**(2,102.2)**	(2,179.8)
Long-term PFI liabilities	27	**(91.0)**	(101.7)
Other long-term financing liabilities	28	**(121.7)**	(128.1)
Long-term derivative financial instruments	30	**(14.2)**	(47.3)
Long-term deferred tax liabilities	11	**(375.2)**	(234.3)
Long-term provisions	29	**(86.6)**	(60.9)
Retirement benefit obligation	35	**(3,201.5)**	(5,603.1)
		(17,618.0)	(20,181.6)
Net assets		**29,146.9**	25,787.7
Reserves			
Usable reserves		**681.2**	886.9
Unusable reserves	37	**28,465.7**	24,900.8
Total reserves		**29,146.9**	25,787.7

The Expenditure and Funding Analysis on page 72 and the notes on pages 74 to 228 form part of these financial statements. These financial statements were approved by the Board on [ ] July 2022 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	**Usable reserves £m**	Unusable reserves £m	**Total reserves £m**
At 1 April 2020		500.0	1,080.7	**1,580.7**	23.5	**1,604.2**	26,357.3	**27,961.5**
Movement in reserves during 2020/21								
Group deficit after tax		(180.2)	-	**(180.2)**	-	**(180.2)**	(730.8)	**(911.0)**
Other comprehensive income and expenditure		-	-	**-**	-	**-**	(1,263.3)	**(1,263.3)**
Total comprehensive income and expenditure		(180.2)	-	**(180.2)**	-	**(180.2)**	(1,994.1)	**(2,174.3)**
Derivative fair value loss reclassified to the Balance Sheet	37	-	-	**-**	-	**-**	0.5	**0.5**
Adjustments between accounting basis and funding basis under regulations	38	(538.4)	-	**(538.4)**	1.3	**(537.1)**	537.1	**-**
Net (decrease)/increase before transfer to/from Earmarked Reserves		(718.6)	-	**(718.6)**	1.3	**(717.3)**	(1,456.5)	**(2,173.8)**
Transfer to/from Earmarked Reserves		718.6	(718.6)	**-**	-	**-**	-	**-**
(Decrease)/increase in 2020/21		-	(718.6)	**(718.6)**	1.3	**(717.3)**	(1,456.5)	**(2,173.8)**
Balance at 31 March 2021		**500.0**	**362.1**	**862.1**	**24.8**	**886.9**	**24,900.8**	**25,787.7**
Movement in reserves during 2021/22								
Group deficit after tax		134.5	-	**134.5**	-	**134.5**	369.8	**504.3**
Other comprehensive income and expenditure			-	**-**	-	**-**	2,854.0	**2,854.0**
Total comprehensive income and expenditure		134.5	-	**134.5**	-	**134.5**	3,223.8	**3,358.3**
Derivative fair value loss reclassified to the Balance Sheet	37	-	-	**-**	-	**-**	0.9	**0.9**
Adjustments between accounting basis and funding basis under regulations	38	(340.6)	-	**(340.6)**	0.4	**(340.2)**	340.2	**-**
Net (decrease)/increase before transfer to/from Earmarked Reserves		(206.1)	-	**(206.1)**	0.4	**(205.7)**	3,564.9	**3,359.2**
Transfer to/from Earmarked Reserves		206.1	(206.1)	**-**	-	**-**	-	**-**
(Decrease)/increase in 2021/22		-	(206.1)	**(206.1)**	0.4	**(205.7)**	3,564.9	**3,359.2**
Balance at 31 March 2022		**500.0**	**156.0**	**656.0**	**25.2**	**681.2**	**28,465.7**	**29,146.9**

Group Movement in Reserves Statement

Earmarked Reserves have been established to finance future projects and form part of the overall funding available for the Investment Programme and revenue projects. Application of funds against specific projects is dependent on the level and mix of other sources of funding also available to fund TfL's Investment Programme.

Group Statement of Cash Flows

Year ended 31 March	Note	2022 £m	2021 £m
Group deficit after tax		**504.3**	(911.0)
Adjustments to deficit after tax for non-cash movements	36 a	**1,593.4**	1,493.7
Adjustments to deficit after tax for investing or financing activities	36 b	**(2,014.3)**	(933.5)
Net cash flows from operating activities		**83.4**	(350.8)
Investing activities	36 c	**(70.9)**	(472.2)
Financing activities	36 d	**(332.5)**	966.4
Increase in net cash and cash equivalents in the year		**(320.0)**	143.4
Net cash and cash equivalents at the start of the year		**1,710.2**	1,566.8
Net cash and cash equivalents at the end of the year	24	**1,390.2**	1,710.2

Corporation Comprehensive Income and Expenditure Statement

Year ended 31 March	Note	2022 £m	2021 £m
Highways and Transport Services			
Gross income		**857.7**	534.3
Gross expenditure	3	**(1,477.0)**	(1,174.9)
Net cost of services before exceptional items *		**(619.3)**	(640.6)
Net cost of services after exceptional items		**(619.3)**	(640.6)
Other net operating expenditure	7	**(2.7)**	(20.4)
Financing and investment income	8	**540.4**	436.7
Financing and investment expenditure	9	**(547.0)**	(534.9)
Grant income	10	**4,289.5**	4,613.2
Grant funding of subsidiaries		**(3,526.5)**	(4,034.2)
Deficit on the provision of services		**134.4**	(180.2)
Other comprehensive income and expenditure			
Items that will not be subsequently reclassified to profit or loss			
Surplus on the revaluation of property, plant and equipment	13	**0.1**	2.8
Surplus on the valuation of newly created investment properties		**0.8**	-
Net remeasurement loss on defined benefit pension schemes	35	**2,773.2**	(1,324.5)
		2,774.1	(1,321.7)
Total comprehensive income and expenditure		**2,908.5**	(1,501.9)

* 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 2022 £m	31 March 2021 £m
Long-term assets			
Intangible assets	12	**184.5**	86.9
Property, plant and equipment	13	**4,181.7**	4,253.7
Right-of-use assets	14	**368.5**	391.3
Investment property	15	**97.1**	11.6
Investments in subsidiaries	16	**12,782.5**	12,222.5
Long-term debtors	21	**12,360.9**	12,259.5
		29,975.2	29,225.5
Current assets			
Short-term debtors	21	**262.9**	439.9
Assets held for sale	22	**12.1**	17.5
Cash and cash equivalents	24	**1,231.8**	1,628.4
		1,506.8	2,085.8
Current liabilities			
Short-term creditors	25	**(558.1)**	(907.0)
Short-term borrowings	26	**(1,423.0)**	(1,198.1)
Short-term right-of-use lease liabilities	14	**(27.0)**	(26.7)
Short-term PFI liabilities	27	**(10.6)**	(9.6)
Short-term provisions	29	**(53.3)**	(64.9)
		(2,072.0)	(2,206.3)

Corporation Balance Sheet (continued)

	Note	31 March 2022 £m	31 March 2021 £m
Long-term liabilities			
Long-term creditors	25	**(54.4)**	(24.6)
Long-term borrowings	26	**(11,547.3)**	(11,774.1)
Long-term right-of-use lease liabilities	14	**(367.1)**	(386.8)
Long-term PFI liabilities	27	**(91.0)**	(101.6)
Long-term provisions	29	**(41.0)**	(29.6)
Retirement benefit obligation	35	**(3,158.8)**	(5,546.3)
		(15,259.6)	(17,863.0)
Net assets		**14,150.4**	11,242.0
Reserves			
Usable reserves		**681.2**	886.9
Unusable reserves	37	**13,469.2**	10,355.1
Total reserves		**14,150.4**	11,242.0

The Expenditure and Funding Analysis on page 72 and the notes on pages 74 to 228 form part of these financial statements. These financial statements were approved by the Board on [ ] July 2022 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	**Usable reserves £m**	Unusable reserves £m	**Total reserves £m**
At 1 April 2020		500.0	1,080.7	**1,580.7**	23.5	**1,604.2**	11,139.7	**12,743.9**
Movement in reserves during 2020/21								
Deficit on the provision of services		(180.2)	-	**(180.2)**	-	**(180.2)**	-	**(180.2)**
Other comprehensive income and expenditure		-	-	**-**	-	**-**	(1,321.7)	**(1,321.7)**
Total comprehensive income and expenditure		(180.2)	-	**(180.2)**	-	**(180.2)**	(1,321.7)	**(1,501.9)**
Adjustments between accounting basis and funding basis under regulations	38	(538.4)	-	**(538.4)**	1.3	**(537.1)**	537.1	**-**
Net (decrease)/increase before transfer to/from Earmarked Reserves		(718.6)	-	**(718.6)**	1.3	**(717.3)**	(784.6)	**(1,501.9)**
Transfer to/from Earmarked Reserves		718.6	(718.6)	**-**	-	**-**	-	**-**
(Decrease)/increase in 2020/21		-	(718.6)	**(718.6)**	1.3	**(717.3)**	(784.6)	**(1,501.9)**
Balance at 31 March 2021		**500.0**	**362.1**	**862.1**	**24.8**	**886.9**	**10,355.1**	**11,242.0**
Movement in reserves during 2021/22								
Deficit on the provision of services		134.5	-	**134.5**	-	**134.5**	-	**134.5**
Other comprehensive income and expenditure		-	-	**-**	-	**-**	2,774.0	**2,774.0**
Total comprehensive income and expenditure		134.5	-	**134.5**	-	**134.5**	2,774.0	**2,908.5**
Adjustments between accounting basis and funding basis under regulations	38	(340.6)	-	**(340.6)**	0.4	**(340.2)**	340.2	**-**
Net (decrease)/increase before transfers to/from Earmarked Reserves		(206.1)	-	**(206.1)**	0.4	**(205.7)**	3,114.2	**2,908.5**
Transfer to/from Earmarked Reserves		206.1	(206.1)	**-**	-	**-**	-	**-**
(Decrease)/increase in 2021/22		-	(206.1)	**(206.1)**	0.4	**(205.7)**	3,114.2	**2,908.5**
Balance at 31 March 2022		**500.0**	**156.0**	**656.0**	**25.2**	**681.2**	**13,469.3**	**14,150.5**

Earmarked Reserves have been established to finance future projects and form part of the overall funding available for the Investment Programme and revenue projects. Application of funds against specific projects is dependent on the level and mix of other sources of funding also available to fund TfL's Investment Programme.

Corporation Statement of Cash Flows

Year ended 31 March	Note	2022 £m	2021 £m
Deficit on the provision of services		**134.4**	(180.2)
Adjustments to deficit on the provision of services for non-cash movements	36 a	**345.7**	524.5
Adjustments to deficit on the provision of services for investing or financing activities	36 b	**(738.6)**	(786.3)
Net cash flows from operating activities		**(258.5)**	(442.0)
Investing activities	36 c	**(100.2)**	(583.4)
Financing activities	36 d	**(37.9)**	1,243.1
Increase/(decrease) in net cash and cash equivalents in the year		**(396.6)**	217.7
Net cash and cash equivalents at the start of the year		**1,628.4**	1,410.7
Net cash and cash equivalents at the end of the year	24	**1,231.8**	1,628.4

Expenditure and Funding Analysis

For the year ended 31 March 2022	London Underground £m	Elizabeth line £m	Buses, streets and other operations £m	Rail £m	Other segments £m	Group items £m	**Total per management reports £m**	Accounting policy adjustments between management and statutory accounts £m	**Total per the Group Comprehensive Income and Expenditure Statement £m**	Less amounts recognised in subsidiaries £m	**Total per the Corporation Comprehensive Income and Expenditure Statement £m**	Adjustments between accounting basis and funding basis under regulations £m	**Amounts remaining chargeable to the General Fund £m**
Gross income	1,547.0	120.0	1,959.0	304.0	186.0	232.0	**4,348.0**	(34.6)	**4,313.4**	(3,455.7)	**857.7**	-	**857.7**
Gross expenditure	(2,285.0)	(430.0)	(2,930.0)	(490.0)	(111.0)	(232.0)	**(6,478.0)**	(1,292.5)	**(7,770.5)**	6,293.5	**(1,477.0)**	217.1	**(1,259.9)**
Net cost of services before exceptional items	(738.0)	(310.0)	(971.0)	(186.0)	75.0	-	**(2,130.0)**	(1,327.1)	**(3,457.1)**	2,837.8	**(619.3)**	217.1	**(402.2)**
Exceptional items	-	-	-	-	-	-	**-**	-	**-**	-	**-**	-	**-**
Net cost of services after exceptional items	(738.0)	(310.0)	(971.0)	(186.0)	75.0	-	**(2,130.0)**	(1,327.1)	**(3,457.1)**	2,837.8	**(619.3)**	217.1	**(402.2)**
Other net operating expenditure	-	-	-	-	-	-	**-**	(36.2)	**(36.2)**	33.5	**(2.7)**	2.7	**-**
Financing and investment income	-	-	-	-	-	-	**-**	202.6	**202.6**	337.8	**540.4**	(135.5)	**404.9**
Financing and investment expenditure	(279.0)	(93.0)	(27.0)	(40.0)	-	-	**(439.0)**	(62.8)	**(501.8)**	(45.2)	**(547.0)**	104.8	**(442.2)**
Grant income	-	-	-	-	-	2,704.0	**2,704.0**	1,647.1	**4,351.1**	(3,588.1)	**763.0**	(738.6)	**24.4**
Group share of profit before tax of joint ventures	-	-	-	-	-	-	**-**	7.9	**7.9**	(7.9)	**-**	-	**-**
Group share of profit before tax of associated undertakings	-	-	-	-	-	-	**-**	24.0	**24.0**	(24.0)	**-**	-	**-**
Capital renewals	(331.0)	(6.0)	(125.0)	(41.0)	(6.0)	(42.0)	**(551.0)**	551.0	**-**	-	**-**	-	**-**
(Deficit)/surplus before tax	(1,348.0)	(409.0)	(1,123.0)	(267.0)	69.0	2,662.0	**(416.0)**	1,006.5	**590.5**	(456.1)	**134.4**	(549.5)	**(415.1)**
Taxation	-	-	-	-	-	-	**-**	(86.2)	**(86.2)**	86.2	**-**	-	**-**
(Deficit)/surplus after tax	(1,348.0)	(409.0)	(1,123.0)	(267.0)	69.0	2,662.0	**(416.0)**	920.3	**504.3**	(369.9)	**134.4**	(549.5)	**(415.1)**
Employer's pension contributions and direct payments to pensioners payable in the year											**-**	280.9	**280.9**
Minimum revenue provision											**-**	(60.2)	**(60.2)**
Amortisation of premium on financing											**-**	(11.8)	**(11.8)**
Net decrease in 2020/21											**134.4**	(340.6)	**(206.2)**
Balance of General Fund and Earmarked Reserves at 1 April 2021													**862.1**
Balance of General Fund and Earmarked Reserves at 31 March 2022													**655.9**

Expenditure and Funding Analysis (continued)

For the year ended 31 March 2021	London Underground £m	Elizabeth line £m	Streets, buses and other operations £m	Rail £m	Other segments £m	Group items £m	**Total per management reports* £m**	Accounting policy adjustments between management and statutory accounts £m	**Total per the Group Comprehensive Income and Expenditure Statement £m**	Less amounts recognised in subsidiaries £m	**Total per the Corporation Comprehensive Income and Expenditure Statement £m**	Adjustments between accounting basis and funding basis under regulations £m	**Amounts remaining chargeable to the General Fund £m**
Gross income	664.0	49.0	1,225.0	146.0	128.0	165.0	**2,377.0**	18.8	**2,395.8**	(1,861.5)	**534.3**	-	**534.3**
Gross expenditure	(2,279.0)	(368.0)	(2,927.0)	(475.0)	(158.0)	(174.0)	**(6,381.0)**	(1,023.8)	**(7,404.8)**	6,229.9	**(1,174.9)**	184.0	**(990.9)**
Net cost of services before exceptional items	(1,615.0)	(319.0)	(1,702.0)	(329.0)	(30.0)	(9.0)	**(4,004.0)**	(1,005.0)	**(5,009.0)**	4,368.4	**(640.6)**	184.0	**(456.6)**
Exceptional items	-	-	-	-	-	-	**-**	(29.4)	**(29.4)**	29.4	**-**	-	**-**
Net cost of services after exceptional items	(1,615.0)	(319.0)	(1,702.0)	(329.0)	(30.0)	(9.0)	**(4,004.0)**	(1,034.4)	**(5,038.4)**	4,397.8	**(640.6)**	184.0	**(456.6)**
Other net operating expenditure	-	-	-	-	-	-	**-**	(63.4)	**(63.4)**	43.0	**(20.4)**	20.4	**-**
Financing and investment income	-	-	-	-	-	-	**-**	49.4	**49.4**	387.3	**436.7**	(30.9)	**405.8**
Financing and investment expenditure	(279.0)	(93.0)	(27.0)	(40.0)	-	(1.0)	**(440.0)**	(158.6)	**(598.6)**	63.7	**(534.9)**	92.0	**(442.9)**
Grant income	37.0	1.0	9.0	-	2.0	3,494.0	**3,543.0**	1,188.3	**4,732.3**	(4,153.3)	**579.0**	(786.3)	**(207.3)**
Group share of loss before tax of joint ventures	-	-	-	-	-	-	**-**	0.7	**0.7**	(0.7)	**-**	-	**-**
Group share of loss before tax of associated undertakings	-	-	-	-	-	-	**-**	(3.5)	**(3.5)**	3.5	**-**	-	**-**
Capital renewals	(203.0)	-	(100.0)	(34.0)	(3.0)	(27.0)	**(367.0)**	367.0	**-**	-	**-**	-	**-**
Deficit before tax	(2,060.0)	(411.0)	(1,820.0)	(403.0)	(31.0)	3,457.0	**(1,268.0)**	345.5	**(921.5)**	741.3	**(180.2)**	(520.8)	**(701.0)**
Taxation	-	-	-	-	-		**-**	10.5	**10.5**	(10.5)	**-**	-	**-**
Deficit after tax	(2,060.0)	(411.0)	(1,820.0)	(403.0)	(31.0)	3,457.0	**(1,268.0)**	356.0	**(911.0)**	730.8	**(180.2)**	(520.8)	**(701.0)**
Employer's pension contributions and direct payments to pensioners payable in the year											**-**	49.8	**49.8**
Minimum revenue provision											**-**	(55.7)	**(55.7)**
Amortisation of premium on financing											**-**	(11.7)	**(11.7)**
Net decrease in 2020/21											**(180.2)**	(538.4)	**(718.6)**
Balance of General Fund and Earmarked Reserves at 1 April 2020													**1,580.7**
Balance of General Fund and Earmarked Reserves at 31 March 2021													**862.1**

* The divisional split of management reporting has been restated to reflect revised internal management operating segments.

Accounting Policies

a) Code of practice

TfL is required to prepare an annual Statement of Accounts under Section 3 of the Local Audit and Accountability Act 2014, and by the Accounts and Audit Regulations 2015 (the 2015 Regulations). The 2015 Regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices. The Statement of Accounts have therefore been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (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 2021/22 is based on International Financial Reporting Standards (IFRS) adopted by the EU (Adopted IFRS) and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. It requires that local authorities prepare their financial statements in accordance with the International Accounting Standards Board (IASB) 'Framework for the Preparation and Presentation of Financial Statements' as interpreted by the Code.

CIPFA/LASAAC announced its plans to delay implementation of IFRS 16 Leases in the Code until 1 April 2022. IFRS 16 Leases (mandatory for years beginning on or after 1 January 2019 under Adopted IFRS) replaces the previous guidance in IAS 17 on leases. However, as a significant proportion of the Group's activities are conducted through subsidiary companies, which were obliged, under EU Adopted IFRS, to apply IFRS 16 from 1 April 2019, CIPFA included a provision in the Code that permits TfL to adopt IFRS 16 from the same date. The Group has therefore adopted IFRS 16 in its financial statements from 1 April 2019.

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

Capital grants and contributions

Capital grants and contributions are recognised immediately in the Comprehensive Income and Expenditure Statement once there is reasonable assurance that all conditions relating to those grants have been met. Under Adopted IFRS capital grants and contributions are recorded as deferred income and recognised in the Comprehensive Income and Expenditure Statement over the useful life of the assets funded by that grant.

FRS 102 The Financial Reporting Standard: Heritage assets

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

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.

Peppercorn rents

The Code includes an adaptation to IFRS 16 Leases in respect of the accounting for peppercorn lease arrangements for lessees. Leases with payments at peppercorn or nominal consideration that are provided at substantially below market terms, and leases for nil consideration, are accounted for as follows:

a) Any portion of the lease that is payable is accounted for in the same way as other lease obligations under IFRS 16 Leases;

b) The difference between the present value of any future lease payments due and the fair value of the lease on initial recognition is recognised as a fair value right-of-use asset on the Balance Sheet, with a corresponding gain recognised in grant income within the surplus or deficit recognised on the provision of services.

TfL has a number of leases over property and other transport infrastructure under which it pays £nil or peppercorn rents. A majority of these leases were held at peppercorn rents by a previous lessee prior to the leases being taken on by TfL. We have undertaken an exercise to assess the fair value of the assets leased under these arrangements and have concluded that they have no material value. No amounts have therefore been recorded in these financial statements in respect of these leases.

b) Basis of preparation

The accounts are made up to 31 March 2022. The Corporation is a single service authority and all expenditure is attributable to the provision of highways, roads and transport services.

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

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

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

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 and joint ventures using the equity accounting method. Associate undertakings are those where the Group is considered to have the power to significantly influence, but not control, the financial and operating policies of the investee. Joint ventures are those where the Group has an interest in the net assets of an investee and has joint control over its financial and operating policies.

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

d) Going concern

The financial statements have been prepared on a going concern basis as the Board remain confident that TfL will continue in operational existence for at least 12 months from the date of signing these financial statements and will meet its liabilities as they fall due for payment.

As set out in the Narrative Report, the unprecedented global outbreak of coronavirus significantly impacted the organisation's ability to execute its activities.

The Group has continued delivering essential transport services throughout the pandemic and is well positioned to partner with the Government in driving economic recovery and growth. Nevertheless, the pandemic has acted to decimate our finances and has exposed the inadequacy of the Group's current funding model. TfL's significant exposure to changes in demand due to its high fixed costs and dependence on fares revenue mean that it is particularly susceptible to recessions.

During 2020/21 and 2021/22 TfL secured a series of Extraordinary Funding and Financing Agreements from the Secretary of State, as set out in the Viability Statement section of the Narrative Report, which give it secure access to funding in the form of a mixture of Government grant and borrowing from the Public Works Loan Board until 24 June 2022. These agreements contain an acknowledgement from the Secretary of State for Transport that further financial support from the Government will be needed until April 2023, with longer term external funding being required to support TfL's capital investment programme.

Accounting Policies (continued)

A number of conditions were attached to the latest funding arrangement agreed with the DfT on 25 February 2022, details of which are set out on TfL's website (www.tfl.gov.uk). This funding arrangement is in place until the 24 June 2022.

The funding arrangement states that TfL can continue to maintain useable cash reserves of no more than an average of £1.2bn throughout, and at the end of the funding period. TfL are to provide a weekly closing cash balance of its Usable Cash Reserves, reporting the difference between TfL's cash balances and TfL's Usable Cash Reserves, identifying each third-party grant. If an average of £1.2bn is exceeded no top-up grant will be paid until TfL's Usable Cash Reserves fall below £1.2bn, taken as an average over the Reporting Period. No payments under this agreement will take TfL's Usable Cash Reserves above £1.3bn at the end of the funding period.

Over the course of the funding period to 24 June 2022, TfL will be supported by the DfT in implementing a programme of work designed to allow TfL to reach a financially sustainable position as soon as possible, with a target of no later than April 2023 and a declining trajectory, in the meantime, of temporary Government grant support. TfL will also be required to make rapid progress on longer term reforms which are likely to be implemented beyond 2023.

The programme of work seeks to progress many of the actions delivered under the previous Extraordinary Funding and Financing Agreement dated 1st June 2021 and will include the following initiatives (among others):

- TfL will provide a plan demonstrating the options that exist to achieve up to and including £400m of appropriate revenue sources and/or cost savings initiatives in 2022/23.

- TfL to progress its plan to generate between £0.5bn - £1.0bn of additional revenue from 2023. TfL will progress its recommended options through public consultation with a view to implementation by 2023.

- TfL will implement the acceleration identified in its £730m modernisation plan. TfL will also provide a summary and periodic cumulative savings trajectory of the strategic initiatives identified within the plan.

- TfL will agree a capital plan with government in conjunction with any long-term settlement and report to DfT on delivery, including realisation of capital efficiencies as set out in the capital efficiencies plan.

- TfL will continue to deliver the service level changes that it committed to in its Financial Sustainability Plan and continue to monitor demand across its network. TfL will make an assessment on whether any future service level changes are required to support the achievement of financial sustainability by the target date of April 2023.

- TfL to ensure the dedicated commercial property company established by TfL will have the required operational and financial independence to deliver housing in a high demand area and to provide an increased revenue stream.

- TfL will continue to carry out a review of its pension scheme and reform options and consider and progress, as appropriate, any proposals that may be recommended by the final report in order to move the Fund into a financially sustainable position.

Accounting Policies (continued)

- A DfT led joint programme on the implementation of Driverless Trains on the London Underground.

- Build on the joint review of options for longer term reform of the funding framework for TfL.

The above initiatives and savings are within TfL's control to deliver, given the commitment from the DfT to work collaboratively with TfL over the funding period.

Government have recognised the need for certainty and stability in TfL's capital investment pipeline and they are therefore willing to support in the short and medium term, through extraordinary grant funding, plus capital investment in renewals and enhancements. They are willing to consider a longer-term capital settlement for TfL from the start of 2022/23 for a period of 1-3 years.

TfL has received government's outline capital proposal and are working collaboratively with government to reach a capital settlement for TfL which meets the shared objectives through a simple mechanism and provides certainty for TfL as it becomes financially sustainable.

In the most recent budget presented to TfL's Board in March 2022 a 'managed decline' scenario is still assumed, which includes unacceptable levels of service reductions, no new enhancement schemes and declining asset conditions – even with £500m of new revenue sources committed to TfL by the Mayor. While financially balanced, the current Budget only includes capital enhancements (major and minor) that are contractually committed, financially positive, third-party funded, or the highest-priority safety schemes. The level of net operating surplus that TfL can generate is insufficient to fund its ongoing requirement for major enhancements (including the replacement of life-expired rolling stock and signalling) and major renewals.

Reaching agreement on the capital settlement is crucial for the coming years if the 'managed decline' of London's transport network is to be avoided, and for funding security to be provided for major enhancements and major renewals, to improve the outcomes that TfL can deliver and allow TfL to use its operating incomes to mitigate the need for major service reductions on the bus network.

These current capital discussions only cover the CSR period (up to 2024/25). TfL has indicated to government that the mechanisms for capital support are likely to be needed beyond that period. This therefore creates uncertainty as to the level of longer-term capital support that will be agreed, and what this means for the shape of TfL's planned future activities beyond 2024/25.

As at 31 March 2022, TfL had capital projects in the course of construction totalling £20bn, of which £15bn related to Crossrail and £0.8bn to the Four Lines Modernisation project. The remaining balance related to a range of projects across the network at varying stages of completion. Through the work outlined above, and through ongoing discussions with the Government and the GLA, management believe that all projects in progress at 31 March 2022 should continue to be funded. However, until a longer-term financing package is formally agreed, a material level of uncertainty remains as to whether all projects in the course of construction at 31 March 2022 will be fully funded to completion.

Uncertainty also exists in respect of the levels of future funding available to support our operational services. If future funding levels are set such that the level of services currently operated needs to be revised, some assets in use as at 31 March may no longer have the useful economic lives assumed in these financial statements. If projects or non-essential elements of in-progress projects are not funded, or if changes in services provided are required, there could be a possible further impairment of carrying values at 31 March 2022, which is not reflected in these financial statements.

As at 31 March 2022, the Group had usable reserves totalling £681.2m.

e) The application of new and revised standards

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

- Reporting requirements of Interest Rate Benchmark Reform

  Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform and additional disclosures related to interest rate benchmark reform.

  The impact of the IBOR reform has been documented and it has been assessed to have minimal impact on TfL's Accounts for year ending 31 March 2022. The instruments that used to reference GBP LIBOR are lease contracts and interest rate swaps hedging the finance cost related to those leases and commercial papers. The interest rate swaps have been treated under the normal IFRS 9 hedge discontinuation rules as they were terminated, while the leases met the economically equivalent criteria for the application of the practical expedient allowed under the guidance for derecognition.

- Definition of a Business: Amendments to IFRS 3

  Definition of a Business: Amendments to IFRS 3 has been introduced in the 2021/22 Code. The amendments clarify the definition of a business, with the aim of helping entities to determine whether a transaction should be accounted for as an asset acquisition or a business combination. This amendment has had no impact on the consolidated financial statements of the Group.

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

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

- IFRS 17 Insurance Contracts (mandatory for years commencing on or after 1 January 2023)

  IFRS 17 will replace IFRS 4 and provides an accounting model for insurance contracts that is more useful and consistent for insurers than existing standards. This standard is not expected to have a significant impact for the TfL Group.

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (effective for annual periods beginning on or after 1 January 2022)

Accounting Policies (continued)

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment must be applied retrospectively only to assets made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 (effective for annual periods beginning on or after 1 January 2022)

  The amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets specifies that only directly related costs need to be included when assessing whether a contract is onerous or loss-making. The directly related costs include both incremental costs (e.g. the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g. depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded, unless they are explicitly chargeable to the counterparty under the contract.

  The amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

- Classification of Liabilities as Current or Non-current - Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2023)

  The amendments clarify the requirements for classifying liabilities as current or non-current.

- Reference to the Conceptual Framework – Amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022)

  The amendment adds an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS Standards.

- Amendments from the 2018-2020 annual improvements cycle consisting of:

  (i) Subsidiary as a first-time adopter of International Financial Reporting Standards (IFRS 1). The amendment permits a subsidiary that elects to apply paragraph

D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted

(ii) Fees in the '10 per cent' test for derecognition of financial liabilities under IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method)

  The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3.

- Amendment to IAS 8 on Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023) - The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

- Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements (effective for annual periods beginning on or after 1 January 2023) - The entity is now required to disclose its 'material' accounting policy information.

- Amendment to IAS 12 on Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023) - The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense).

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

g) Discontinued operations

Accounting Policies (continued)

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

h) Uses of estimates, judgements and errors

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

Use of judgement

Determining whether an arrangement contains a lease

In determining whether an arrangement contains a lease, as required by IFRS 16 Leases, there is significant judgement in determining whether the arrangement conveys the right to control the use of an identified asset and in determining the lease term particularly in respect of whether the Group is reasonably certain to exercise extension options or renewal options.

For arrangements where TfL is a lessor there is significant judgement involved in respect of whether the arrangement is a finance or an operating lease.

Classification of investment properties

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

Leases

From the lessor's perspective in assessing whether a lease is an operating lease or a finance lease, judgement needs to be exercised in determining whether or not substantially all the risks and rewards of ownership of the leased asset are retained by the Group or are transferred to the lessee. Given that assets leased under a finance lease are derecognised from the Balance Sheet, and assets leased out under operating leases are not, this can have a significant effect on the reported financial position of the Group.

Availability of future capital funding

Accounting Policies (continued)

In assessing whether any impairment of the carrying value of assets under construction on the Balance Sheet date is required, management exercises judgement as to the level of funding that may be available to fund future expenditure on these projects through to completion. If insufficient future funding is anticipated, management reviews the carrying value of existing assets under construction for possible impairment.

Capitalisation of assets with third party interest

In assessing situations where TfL assets are constructed on, or have significant involvement with, external third parties, judgement is exercised in determining whether substantially all the risks and rewards of ownership of the asset are held by the Group.

Use of estimates

Useful economic life of property, plant and equipment

In determining the useful economic life of property, plant and equipment management estimate the length of time that the assets will be operational.

Post-retirement benefits

The pension costs and defined benefit plan obligations of the Group's defined benefit plans are calculated on the basis of a range of assumptions, including the discount rate, inflation rate, salary growth and mortality. Differences arising as a result of actual experience differing from the assumptions, or future changes in the assumptions will be reflected in subsequent periods. A small change in assumptions can have a significant impact on the valuation of the liabilities. More details are given in note 35.

Financial derivative instruments

The Group uses financial derivative instruments to manage certain exposures to fluctuations in foreign currency exchange rates and interest rates. In making its assessment and judgements, the Group assesses the effectiveness of the derivatives and changes in their fair values. Note 34 and Accounting Policy aj) on financial instruments provide detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as a sensitivity analysis for these assumptions. Management believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Provisions

Estimation techniques are employed in the calculation of the best estimate of the amount required to settle obligations, including determining how likely it is that expenditure will be required by the Group. This can be very complex, especially when there is a wide range of possible outcomes. More details are given in note 29.

Expected credit loss allowance

The expected credit loss allowance recognised in respect of financial assets is based on a forward-looking probability-weighted measure considering reasonable and supportable information on past events, current conditions and the time value of money. As at 31 March 2021 and 2022, management were required to make estimates regarding future losses based on the impact of the coronavirus outbreak on credit risk. Given the unprecedented nature of the pandemic, a greater than usual level of judgement was involved in reaching this estimate.

Taxes

Deferred tax assets are recognised for unused tax losses only to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group has tax losses carried forward with a tax value of £1,313.4m (2021 £999.0m). These losses relate to subsidiaries that have a history of losses, do not expire, and may be used to offset future taxable income in those subsidiaries. If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by £2,950.1m (2021 £2,119.9m).

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

Owner-occupied office buildings held within property, plant and equipment are held at their existing use value, as estimated by external, professionally qualified surveyors in accordance with RICS guidelines. Movements in the value of the property are taken to the revaluation reserve.

Leases

When the interest rate implicit in the lease cannot be readily determined, TfL's incremental borrowing rate (IBR) at the lease commencement date is used to calculate the present value of the lease payments. This is the interest rate that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. When no observable inputs are available, the Group estimates the IBR, making assumptions to reflect the terms and conditions of the lease and certain entity-specific estimates. These assumptions include the consideration of a number of components including the risk-free rate, the lease term, the credit spread and adjustments related to the specific nature of the underlying asset.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension or termination option. The assessment is reviewed if a significant event or change in circumstances occurs which affects this assessment.

Valuation of peppercorn leases

TfL has a number of leases over property and other transport infrastructure under which it pays £nil or peppercorn rents. It has undertaken an exercise to assess the fair value of the assets leased under these arrangements and has concluded that they have no material value. No amounts have therefore been recorded in the financial statements in respect of these leases.

Defined benefit plans

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality.

Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates.

Further details about pension obligations are provided in note 35.

i) Revenue recognition

Revenue includes income generated from the provision of travel, other fees and charges, the letting of commercial advertising space and the rental of commercial properties.

Revenue is measured after the deduction of value added tax (where applicable).

Fares revenue

Revenue from annual or periodic tickets and Travelcards is recognised in the Comprehensive Income and Expenditure Statement on a straight-line basis over the period of validity of the ticket or Travelcard as TfL has a stand ready obligation to provide unlimited travel over the period of validity of the ticket or Travelcard. Oyster pay as you go revenue is recognised on usage and one-day Travelcards and single tickets are recognised on the day of purchase.

Revenue received in advance and not recognised in the Comprehensive Income and Expenditure Statement is recorded in the Balance Sheet and held within current liabilities – contract liabilities representing creditors' receipts in advance for Travelcards, bus passes and Oyster cards.

Accounting Policies (continued)

Revenue in respect of free and reduced fare travel for older customers and disabled customers

Revenue from the London Borough Councils in respect of free travel for older and disabled customers is recognised on a straight-line basis over the financial year to which the settlement relates, as TfL has a stand ready obligation to provide unlimited travel over the financial year to which the settlement relates.

Congestion Charging

The standard daily Congestion Charge, including those paying through auto-pay, is recognised as income on the day the eligible vehicle enters the Congestion Charge zone.

Income from penalty charge notices is recognised at an amount adjusted for the probability of cancellation, as payment becomes due. Each increase in charge results in income being recognised in full at the date the increase is applied.

Road network compliance

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

Taxi licensing

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

Commercial advertising

TfL grants a concessionaire partner control over certain advertising assets to facilitate the generation of advertising income across its estate and receives income from this arrangement. This is considered a lease arrangement for accounting purposes.

Where the arrangement is viewed as an operating lease under IFRS 16, revenue is recognised on a straight-line basis over the term of the contract.

Where the arrangement is viewed as a finance lease (where the lease transfers substantially all the risks and rewards of ownership of the underlying asset to the third party), a lease receivable is recognised. Finance income is recognised over the term of the lease, based on a pattern reflecting a constant periodic rate of return on the lease receivable. Lease receipts are allocated between reducing the principal balance and interest income.

TfL, through its concessionaire partner, also sells advertising space to customers and receives income from such arrangements under a revenue share agreement with its concessionaire. Revenue share income is dependent upon the revenue generated by the concessionaire and is therefore contingent in nature. Such revenue is recognised in the period when it is earned.

The Group receives performance monitoring credits when certain performance standards are not met. The performance monitoring credits are recognised as revenue when they are earned.

Rental income

Accounting Policies (continued)

Rental income from operating leases of properties, ATMs and car parks is recognised on a straight-line basis over the term of the lease. Rent-free periods, incentives, or fixed annual increases in the lease payments are spread on a straight-line basis over the lease term. Any inflation linked annual increases in rentals are treated as contingent rents and are recognised as income when they occur. Rental income based on tenant turnover is considered to be variable income and is therefore recognised as income in the period in which it is earned.

As a result of the pandemic, there have been instances where credit notes have been issued to tenants after the invoice has been issued. In such instances, it is our accounting policy to account for the rent forgiveness as a loss (that is, not a reduction in lease income) in the income statement, with a corresponding reduction to the lease receivable in the period in which the reduction is contractually agreed.

For finance leases, where the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset to the customer, a lease receivable is recognised. Finance income is recognised over the term of the lease, based on a pattern reflecting a constant periodic rate of return on the lease receivable. Lease receipts are allocated between reducing the principal balance and interest.

Third party contributions to operating costs

Revenue from third-party contributions to operating costs is earned on services performed by TfL in conjunction with other organisations or Government in relation to works such as dropping curbs, building roundabouts, installing traffic lights, installing shelters, escalators or elevators in stations, installing bus shelters, etc.

Revenue from third-party contributions is measured on the basis of progress towards completion, calculated using the proportion of costs incurred to date in relation to the total costs to be incurred on the entire project.

Revenue from telecoms concessionaire arrangements

Revenue from the concessionaire arrangements relates to the exclusive right granted to the concessionaire to access TfL's broader asset base to install and maintain its new telecommunications assets. The Fixed Concession Fee is recognised on a straight-line basis over the period of the concessionaire term. Revenue share fees are recognised as income when they occur.

Cycle hire scheme revenues

Sponsorship revenue is recognised on a straight-line basis over the term of the contract as it represents an obligation to provide branding promotion to the customer during the period of the contract.

Annual memberships scheme revenue is recognised on a straight-line basis over the membership period, as it represents an obligation to provide specific numbers of memberships to clients during the membership period.

Daily access fees are recognised upon providing the customer with access to the bicycles.

Accounting Policies (continued)

Museum income

Store sales

Revenue from store sales is recognised at the point of sale to the customer.

Venue hire revenue

Revenue from venue hire is recognised on the date when the space is provided to the customer.

Venue hire catering commission

Venue hire catering commission is recognised upon completion of the event based on the estimated consideration receivable from the customer.

Corporate membership scheme

Corporate membership scheme revenue is recognised on a straight-line basis over the period of membership, as it represents a stand-ready obligation to provide unlimited entry during the period of membership.

Café concessionaire commission

Revenue from café concessionaire commission income is recognised over the term of the concessionaire contract and measured based on the estimated consideration receivable from the concessionaire in each period.

Ticket and photocard commission income

Revenue from ticket and photocard commission income is recognised upfront when the ticket or photocard is issued.

j) Segmental reporting

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

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

- Underground – Provision of passenger rail services on the London Underground and refurbishment and maintenance of certain parts of the rail network
- Elizabeth line – Delivery of passenger rail services on the Elizabeth line and services currently operating as TfL Rail
- Buses, streets and other operations – Provision of bus services; maintenance of London's roads and cycle routes; and provision of other operations, including Dial-a-Ride, London River Services, Taxi and Private Hire, Santander Cycles, Victoria Coach Station and the Emirates Air Line
- Rail – Provision of passenger rail services through contracted third-party operators on the DLR, London Overground and London Trams

Accounting Policies (continued)

- Major projects – Delivery of TfL's largest and most complex infrastructure projects
- Property development – Investment in our commercial and residential estate and building portfolio
- Media – Advertising estate and digital marketing infrastructure

Within these financial statements, the Major projects, Property and Media segments outlined above have been combined and disclosed collectively as "Other segments". Amounts included in TfL Group level management reporting, but excluded from divisional breakdowns are referred to as "Group items".

TfL's management reports to the TfL Board are presented using a basis of preparation that differs to the accounting requirements of the CIPFA Code. A reconciliation between the operating performance of the Group as reported to the Board to amounts included in the Group Comprehensive Income and Expenditure Statement is set out in note 2.

k) Exceptional items

Exceptional costs are costs that are unusual, infrequent and which do not occur in the normal course of operations. An unusual event or transaction has a high degree of abnormality and is clearly unrelated to (or only incidentally related to) the ordinary activities of the organisation, taking into account the operating environment. Infrequent refers to events and transactions that would not reasonably be expected to recur in the foreseeable future, taking into account the operating environment.

The significant costs incurred in relation to the coronavirus pandemic, such as costs incurred in bringing construction projects to a safe stop, were considered exceptional items. These costs were identified separately below the net cost of services on the face of the Comprehensive Income and Expenditure Statement.

l) Grants and other funding

The main source of grant funding during 2021/22 and 2020/21 was the Extraordinary Funding Support Grant from the DfT. Other grants included a share of Business Rate Retention received from the GLA, which is classified as a resource grant; and specific capital grants from the GLA for the Crossrail project.

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

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

Accounting Policies (continued)

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

Grant received on the Furlough Scheme in 2020/21 was credited to the Comprehensive Income and Expenditure Statement upon receipt.

m) Overheads

Overheads are recognised in the Comprehensive Income and Expenditure Statement on an accruals basis.

n) Financing and investment income and expenses

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

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

Also included within financing and investment income or expenditure are fair value gains or losses recognised in relation to the revaluation of investment properties, and any profits or losses recognised on disposal of investment properties.

o) VAT

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

p) Taxation

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

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted 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

Accounting Policies (continued)

reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

q) Business combinations

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

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

r) Intangible assets

Goodwill

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

Other intangible assets

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

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

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

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

Software costs	Straight-line	Up to 10 years

s) Property, plant and equipment

Recognition and measurement

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

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

Owner-occupied office buildings are valued at existing use value by external, professionally qualified surveyors in accordance with RICS Guidelines. Existing use value is the estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at the measurement date. In determining the existing use value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate, making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs.

Valuations are performed annually. Movements in the value of the property are taken to the Revaluation Reserve, with the exception of permanent diminutions in value which are recognised in profit or loss.

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

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

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

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

Depreciation

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

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

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

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

Tunnels and embankments	up to 120 years
Bridges and viaducts	up to 120 years
Track	up to 120 years
Road pavement	up to 40 years
Road foundations	up to 50 years
Signalling	up to 40 years
Stations	up to 120 years
Other property	up to 120 years
Rolling stock	up to 50 years
Lifts and escalators	up to 40 years
Plant and equipment	up to 75 years
Computer equipment	up to 15 years

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

t) Heritage assets

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

u) Investment property

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

Investment property is measured initially at cost, including transaction costs, and subsequently measured at fair value with any change therein recognised in profit or loss within financing and investment income or expenditure. During 2020/21 and 2021/22, as part of an exercise undertaken by management to create a consolidated commercial property portfolio, new lease structures created allowed the recognition, for the first time, of newly separable investment property assets which were recorded within investment property at fair value at the date of creation of the lease structure. Due to the fact that these assets were created through the separation of new lease structures from larger items of transport infrastructure (included within property, plant and equipment) and the revaluation uplift recorded on initial recognition does not fairly represent the increase in value in the period of the underlying assets, these valuation gains were recognised directly within other comprehensive income. Movement in the fair values of existing investment properties continued to be recognised within financing income or expenditure.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. Investment properties held at fair value are not subject to depreciation.

Investment properties are valued annually at fair value by external, professionally qualified surveyors in accordance with RICS Guidelines. Fair value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. The methodology assumes the valuation is based on the highest and best use of the asset. In determining the fair value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate, making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs. Properties are therefore categorised as Level 3 in the fair value hierarchy, as the measurement technique uses significant unobservable inputs to determine the fair value measurements.

Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. Any such gains and losses recognised by the Corporation are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and transferred to the Capital Adjustment Account.

v) Investment in joint ventures

A joint venture is a type of joint arrangement wherein the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Accounting Policies (continued)

The Group's investments in joint ventures are accounted for using the equity method. Under the equity method, the investment is initially recognised on the Balance Sheet at cost and is thereafter adjusted to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture.

w) Investment in associated undertakings

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

x) Inventories

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

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

y) Assets held for sale

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

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

z) Borrowing costs

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

In the initial phase of the first lockdown in 2020, on-site works on our capital projects were brought to a temporary Safe Stop. During this period, capitalisation of borrowing costs was temporarily paused and interest incurred during this period was recognised within financing and investment expenditure.

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

Accounting Policies (continued)

aa) Provisions

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

ab) Foreign currencies

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

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

ac) Leases (the Group as lessee)

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

The lease liabilities arising from a lease are initially measured on a present value basis comprising the following lease payments:

- Fixed payments (including in-substance fixed payments) less any lease incentives receivable
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the Group under residual value guarantees
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option
- Lease payments to be made under reasonably certain extension options

The lease payments are discounted using the TfL Group's incremental borrowing rate, being the rate the Group would have to pay to borrow the funds necessary to obtain an asset of

Accounting Policies (continued)

similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

For the current year, TfL's incremental borrowing rate for each tenor consists of Public Works Loan Board (PWLB) as this is the source of borrowing we have used during the pandemic.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate takes effect, then the lease liability is re-measured using the changed cash flows and changed discount rate. Further, a corresponding adjustment is also made to the right-of-use asset.

Lease payments are allocated between the repayment of principal and a finance cost. The finance cost is charged to the Comprehensive Income and Expenditure Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use assets are measured at cost comprising the following:

- The amount of initial measurement of lease liability
- Any lease payments made at or before the commencement date, less any lease incentives received
- Any initial direct costs
- Restoration costs

The right-of-use assets are generally depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. If it is reasonably certain that the Group will exercise a purchase option, then the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and with low-value assets are recognised on a straight-line basis as an expense in the Comprehensive Income and Expenditure Statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

IFRS 16 permits the use of a practical expedient that permits lessees to make an accounting policy election, by class of underlying asset, to account for each separate lease component of a contract and any associated non-lease components as a single lease component. Contracts for bus services contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. TfL's accounting policy is to apply this expedient to other equipment as a class of underlying asset. If the non-lease components over the contract duration total less than five per cent of the total contract value or £500,000, whichever is lower, then the non-lease and lease components are treated as a single lease.

Accounting Policies (continued)

Peppercorn leases

Leases with payments at peppercorn or nominal consideration that are provided at substantially below market terms, and leases for nil consideration, are accounted for as follows:

- Any portion of the lease that is payable is accounted for in the same way as other lease obligations under IFRS 16 Leases
- The difference between the present value of any future lease payments due and the fair value of the lease on initial recognition is recognised as a fair value right-of-use asset on the Balance Sheet, with a corresponding gain recognised in grant income within the surplus or deficit recognised on the provision of services

TfL has a number of leases over property and other transport infrastructure under which it pays £nil or peppercorn rents. It has undertaken an exercise to assess the fair value of the assets leased under these arrangements and has concluded that they have no material value. No amounts have therefore been recorded in the financial statements in respect of these leases.

ad) Leases (the Group as lessor)

Lease income from operating leases is recognised as income on a straight-line basis over the lease term. Rent free periods, incentives, or fixed annual increases in the lease payments are spread on a straight-line basis over the lease term. Any inflation linked annual increases in rentals are treated as contingent rents and are recognised as income when they occur. Rental income based on turnover is considered variable and therefore is recognised in the period in which it is earned. The respective leased assets are included in the Balance Sheet within property, plant and equipment based on their nature.

Lease income from finance leases is recognised over the lease term at an amount that produces a constant periodic rate of return on the remaining balance of the net investment in the lease. The net investment in the lease is the sum of lease payments receivable during the lease term discounted at the interest rate implicit in the lease.

Lease income in respect of property leases has been adversely impacted by the coronavirus pandemic. Bespoke support has been provided to tenants on a case-by-case basis and includes the grant of rent-free periods and other arrangements reflecting the position of each customer. The accounting treatment for the tenant support, which results in some divergence between net rental income on a reported basis and cash flow basis, is as follows:

- Rent-free periods are generally considered to constitute a lease modification under IFRS 16, with the lease incentive deferred over the remaining lease term. The lease incentive balance will be assessed for impairment at each reporting date. If the pandemic continues and if the level of tenant failures is higher than expected, the impairment of tenant incentives and bad debt expense is also expected to increase
- Lease income from finance leases is recognised over the lease term at an amount that produces a constant periodic rate of return on the remaining balance of the net investment in the lease. The net investment in the lease is the sum of lease payments receivable during the lease term discounted at the interest rate implicit in the lease

Accounting Policies (continued)

- On lease commencement the carrying value of the asset is derecognised, the net investment in the lease is recognised as a finance lease receivable and any selling profit or loss is recognised in the Comprehensive Income and Expenditure Statement

ae) Private Finance Initiative (PFI) transactions and similar contracts

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

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

a) The service charge
b) Repayment of the capital
c) The interest element (using the interest rate implicit in the contract)

Services received

The fair value of services received in the year is recorded under the relevant expenditure headings within 'gross expenditure'.

Assets

Assets are recognised as property, plant and equipment or intangible assets when they come into use. The assets are measured initially at fair value in accordance with IPSAS 32 Service Concession Arrangements – Grantor (IPSAS 32).

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

Liabilities

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

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

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

Life cycle replacement

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

Accounting Policies (continued)

af) Impairment of non-financial assets

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

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

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

ag) Employee benefits

Defined benefit pension plans

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

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

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

The difference between the value of the pension scheme assets and pension scheme liabilities is a surplus or a deficit. A pension scheme surplus is recognised to the extent that it is recoverable and a pension scheme deficit is recognised in full. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is reflected immediately in the Balance Sheet with a charge or credit recognised in other comprehensive income in the period in which it occurs. Remeasurement recognised in other comprehensive income will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit obligation or asset. Defined benefit costs are categorised between; (a) service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), (b) net interest expense or income, and (c) remeasurement. The Group presents the first two components in profit or loss within the surplus on the provision of services before tax. Curtailment gains and losses are accounted for as past service costs.

Accounting Policies (continued)

Multi-employer exemption

For certain defined benefit schemes, the Corporation and/or the Group is unable to identify its share of the underlying assets and defined benefit obligations of the scheme on a consistent and reasonable basis. As permitted by the multi-employer exemption in the Code, these schemes are accounted for as defined contribution schemes. Contributions are therefore charged to the Comprehensive Income and Expenditure Statement as incurred.

Group schemes under common control

The Corporation and certain of its subsidiaries are members of a Group defined benefit plan wherein risks are shared between the entities under common control. There is no contractual arrangement in place to apportion the net defined benefit cost across the member entities. Accordingly, in line with the provisions of IAS 19, the total net defined benefit obligation is recognised in the individual financial statements of the sponsoring employer, the Corporation.

Unfunded pension schemes

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

Defined contribution plans

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

Other employee benefits

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

ah) Reserves

Reserves consist of two elements, usable and unusable.

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

Unusable reserves cannot be applied to fund expenditure as they are not cash backed. They include the Capital Adjustment Account, Pension Reserve, the Hedging Reserve, the Financial

Instruments Revaluation Reserve, the Financial Instruments Adjustment Account, the Retained Earnings Reserve in subsidiaries and the Fixed Asset Revaluation Reserve.

ai) Expenditure and Funding Analysis

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

aj) Financial instruments

Financial instruments within the scope of IFRS 9 Financial Instruments (IFRS 9) are classified as:

- Financial assets measured at amortised cost
- Financial assets measured at fair value through other Comprehensive Income and Expenditure (FVTOCI)
- Financial assets measured at fair value through the Comprehensive Income and Expenditure Statement (FVTPL)
- Financial liabilities measured at amortised cost
- Financial liabilities at fair value through the Comprehensive Income and Expenditure Statement (FVTPL)

The Group determines the classification of its financial instruments at initial recognition. Financial assets may be reclassified only when the Group changes its business model for managing financial assets, at which point all affected financial assets would be reclassified. Financial liabilities are not reclassified subsequent to initial recognition.

When financial instruments are recognised initially, they are measured at fair value, being the transaction price plus any directly attributable transaction costs. The exception to this is for assets and liabilities measured at fair value through the Comprehensive Income and Expenditure Statement, where transaction costs are immediately expensed.

The subsequent measurement of financial instruments depends on whether they are financial assets or financial liabilities and whether specified criteria are met.

Financial assets are measured at amortised cost if:

- it is the objective of the Group to hold the asset in order to collect contractual cash flows; and
- the contractual terms give rise to cash flows, which are solely repayments of a principal value and interest thereon.

Accounting Policies (continued)

After initial recognition, these assets are carried at amortised cost using the effective interest rate method if the time value of money is significant. Gains and losses are recognised in the Comprehensive Income and Expenditure Statement when the asset is derecognised or a loss allowance applied, as well as through the amortisation process.

Financial assets are measured at FVTOCI if:

- assets are non-derivative and held within a business model whose objective is to realise their value through either the collection of contractual cash flows or selling of the financial assets; and
- the contractual terms of the financial asset give rise to periodic cash flows that are the payment of principal and interest.

After initial recognition, interest is taken to the Comprehensive Income and Expenditure Statement using the effective interest rate method and the assets are measured at fair value with gains or losses being recognised in Other Comprehensive Income and Expenditure (and taken to the Financial Instruments Revaluation Reserve), except for impairment gains or losses, until the investment is derecognised, or reclassified at which time the cumulative fair value gain or loss previously reported in reserves is included in the Comprehensive Income and Expenditure Statement. For equity instruments, unlike debt instruments, there is no transfer of accumulated amounts in Other Comprehensive Income to the Comprehensive Income and Expenditure Statement.

Financial assets are measured at FVTPL if they are:

- Derivatives
- Not held as amortised cost or at FVTOCI
- Financial assets that were elected to be designated as measured at FVTPL

After initial recognition, assets are carried in the Balance Sheet at fair value with gains or losses recognised in the Comprehensive Income and Expenditure Statement.

Financial liabilities are measured at amortised cost if they are non-derivative with limited exceptions.

After initial recognition, non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are measured at FVTPL if they are:

- Derivatives
- Other liabilities held for trading
- Financial liabilities that were elected to be designated as measured at FVTPL

Loans to subsidiaries

Loans to subsidiaries are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Loans are classified as amortised cost.

Accounting Policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and investments that are readily convertible to cash and with an outstanding maturity, at the date of acquisition, of less than or equal to three months. Cash and cash equivalents are classified as financial assets at amortised cost.

Other investments

Short-term investments with an outstanding maturity, at the date of acquisition, of greater than three months and less than or equal to a year, are classified as short-term investments on the basis that they are not readily convertible to cash. Short-term investments are classified as financial assets at amortised cost.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently classified as financial assets at amortised cost.

Finance lease receivables

Finance lease receivables are recognised initially at fair value and subsequently classified as financial assets at amortised cost.

Trade and other creditors

Trade and other creditors are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method.

Interest bearing loans and borrowings

All loans and borrowings are classified as financial liabilities measured at amortised cost.

Obligations under leases and PFI arrangements

All obligations under leases and PFI arrangements are classified as financial liabilities measured at amortised cost.

Other financing liabilities

Other financing liabilities are classified as financial liabilities measured at amortised cost.

Financial derivative instruments

The Group uses financial derivative instruments to manage certain exposures to fluctuations in foreign currency exchange rates and interest rates. The Group does not hold or issue derivative instruments for speculative purposes. The use of derivatives is governed by the Group's Treasury Management policies, approved by the Board.

Derivative assets and derivative liabilities are classified as FVTPL. Such financial derivative instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated in an effective as a hedge relationship, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Accounting Policies (continued)

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 derivatives are classified as a long-term asset or a long-term liability if the remaining maturity of the derivative contract is more than 12 months and as a short-term asset or a short-term liability if the remaining maturity of the derivative contract is less than 12 months.

Hedge accounting

In order to qualify for hedge accounting, at inception of the transaction the Group formally designates and documents the hedging relationship, which includes the Group's risk management strategy and objective for undertaking the hedge, identification of the hedging instrument, the hedged item, the ratio between the amount of hedged item and the amount of hedging instrument, the nature of the risk being hedged and how the Group assesses that the hedging instrument is highly effective including analysis of potential sources of hedge ineffectiveness.

At the inception of the hedge relationship and prospectively on an ongoing basis, the Group assesses three criteria in determining the hedge is effective and qualifies for hedge accounting, namely:

- An economic relationship exists such that the fair value or cash flows attributable to the hedged risk will be offset by the fair value of the hedged instrument
- Credit risk does not dominate changes in the value of the hedging instrument or hedged item
- The hedge ratio used for hedge accounting purposes is the same as that used for risk management purposes and is to be maintained as initially set throughout the hedge relationship

Where derivatives or portions of hedges do not qualify for hedge accounting, they are recorded at fair value through the Comprehensive Income and Expenditure Statement and any change in value is immediately recognised in the Comprehensive Income and Expenditure Statement.

Cash flow hedges

Hedge relationships 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 and could affect profit or loss. Derivative instruments qualifying as cash flow hedges are principally interest rate swaps (where floating rate interest is swapped to fixed) 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.

Accounting Policies (continued)

Amounts deferred in reserves are recycled to profit or loss in the periods when the hedged items (the hedged asset or liability) affect 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.

Accounting Policies (continued)

No loss allowance for expected credit loss is recognised on a financial asset where the counterparty is central government or a local authority and where relevant statutory provisions prevent default. Expected credit loss allowances are recognised in the Comprehensive Income and Expenditure Statement.

Embedded derivatives

Derivatives that are embedded in other financial instruments or other host contracts are treated as separate derivatives when:

- the host contract is a financial liability or an asset not within the scope of IFRS 9; and
- the derivative's risks and characteristics are not closely related to those of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the host contracts are not carried at fair value.

In such cases, an embedded derivative is separated from its host contract and accounted for as a derivative carried on the Balance Sheet at fair value from inception of the host contract. Unrealised changes in fair value are recognised as gains/losses within the Comprehensive Income and Expenditure Statement during the period in which they arise.

Notes to the Financial Statements

1. Gross income

a) Group gross income

Year ended 31 March	2022 £m	% of total	2021 £m	% of total
Passenger income	**2,880.2**	**66.8**	1,284.6	53.6
Revenue in respect of free travel for older and disabled customers	**273.7**	**6.3**	315.0	13.1
Congestion Charging	**423.3**	**9.8**	315.7	13.2
Ultra Low Emission Zone charges	**225.7**	**5.2**	77.1	3.2
Low Emission Zone charges	**34.6**	**0.8**	5.7	0.2
Charges to London Boroughs and Local Authorities	**12.6**	**0.3**	12.4	0.5
Charges to transport operators	**21.3**	**0.5**	1.6	0.1
Road Network compliance income	**68.3**	**1.6**	47.4	2.0
Commercial advertising receipts	**105.1**	**2.4**	58.9	2.5
Rents receivable	**78.4**	**1.8**	77.1	3.2
Contributions from third parties to operating costs	**28.6**	**0.7**	56.7	2.4
Taxi licensing	**32.9**	**0.8**	26.5	1.1
Ticket and photocard commission income	**11.6**	**0.3**	7.6	0.3
General fees and charges	**11.2**	**0.3**	7.5	0.3
ATM and car parking income	**10.5**	**0.2**	3.3	0.1
Museum income	**8.3**	**0.2**	3.9	0.2
Training and specialist services	**26.2**	**0.6**	13.5	0.6
Cycle hire scheme	**15.2**	**0.4**	16.8	0.7
Other	**45.7**	**1.0**	64.5	2.7
	4,313.4	**100.0**	2,395.8	100.0

1. Gross income (continued)

b) Corporation gross income

Year ended 31 March	2022 £m	% of total	2021 £m	% of total
Congestion Charging	**423.3**	**49.4**	315.7	59.1
Ultra Low Emission Zone charges	**225.7**	**26.3**	77.1	14.4
Low Emission Zone charges	**34.6**	**4.0**	5.7	1.1
Charges to London Boroughs and Local Authorities	**11.8**	**1.4**	11.9	2.2
Road Network compliance income	**68.3**	**8.0**	47.4	8.9
Rents receivable	**0.7**	**0.1**	0.5	0.1
Contributions from third parties to operating costs	**24.3**	**2.8**	24.5	4.6
Taxi licensing	**32.9**	**3.8**	26.5	5.0
General fees and charges	**4.0**	**0.5**	3.2	0.6
Training and specialist services	**17.1**	**2.0**	12.1	2.3
Other	**15.0**	**1.7**	9.7	1.7
	857.7	**100.0**	534.3	100.0

c) Congestion Charging

Year ended 31 March	Group and Corporation 2022 £m	Group and Corporation 2021 £m
Income	**423.3**	315.7
Toll facilities and traffic management	**(107.5)**	(83.0)
	315.8	232.7
Administration, support services and depreciation	**(8.5)**	(8.5)
Net income from Congestion Charging	**307.3**	224.2

Net income from the Congestion Charge (above), Low Emission Zone and Ultra Low Emission Zone (below) is spent on delivering the Mayor's Transport Strategy.

1. Gross income (continued)

d) Low Emission Zone (LEZ) Charging

Year ended 31 March	**Group and Corporation 2022 £m**	Group and Corporation 2021 £m
Income	**34.6**	5.7
Toll facilities and traffic management	**(0.8)**	(0.7)
	33.8	5.0
Administration, support services and depreciation	**-**	-
Net income from LEZ Charging	**33.8**	5.0

e) Ultra Low Emission Zone (ULEZ) Charging

Year ended 31 March	**Group and Corporation 2022 £m**	Group and Corporation 2021 £m
Income	**225.7**	77.1
Toll facilities and traffic management	**(106.9)**	(33.1)
	118.8	44.0
Administration, support services and depreciation	**(7.4)**	(6.4)
Net income from ULEZ Charging	**111.4**	37.6

1. Gross income (continued)

f) Street works

Year ended 31 March	Group and Corporation 2022 £m	Group and Corporation 2021 £m
Income	**8.9**	8.7
Allowable operating costs of managing the lane rental scheme	**(2.0)**	(2.0)
Application of Street Works Reserve to projects reducing the adverse effects caused by street works	**(6.4)**	(5.4)
Net income recognised within net cost of services	**0.5**	1.3
Allowable capital costs of managing the lane rental scheme	**(0.1)**	-
Net income for the year transferred to the Street Works Reserve	**0.4**	1.3

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

2. Segmental analysis

2a) Segmental analysis

The breakdown of performance reporting by segment is presented in the Expenditure and Funding Analysis on page 72. The analysis only shows Group segmental information and no disclosures are included for the Corporation. This is because the Corporation's results are not reported to the TfL Board on a segmental basis.

No Balance Sheet information is reported internally by segment and there is accordingly no requirement under the Code to disclose segmental Balance Sheet information in the Statement of Accounts.

2b) Reconciliation of the Operating Account as included in internal reports to management to the Group Comprehensive Income and Expenditure Statement

The segmental information presented in the Expenditure and Funding Analysis reflects the presentation of the Operating Account as included in internal management reports, published on TfL's website in the form of Quarterly Performance Reports (www.tfl.gov.uk/corporate/publications-and-reports/quarterly-progress-reports). The methodology for preparation and the presentation of figures within the Operating Account differs in several respects from the Group Comprehensive Income and Expenditure Statement as presented in these financial statements. To aid understanding of TfL information as reported in Quarterly Performance Reports, a reconciliation of the Operating Account to the Group Comprehensive Income and Expenditure Statement is presented on the following pages.

2. Segmental analysis (continued)

Reconciliation of the Operating Account as included in internal reports to management to the Group Comprehensive Income and Expenditure Statement (CI&E)

Year ended 31 March 2022	Operating Account as reported to management £m	Items included in the CI&E but excluded from the Operating Account £m	Items included in the Operating Account but excluded from the CI&E £m	Reclassifications between line items £m	Items with different accounting treatment (see note 2c) £m	Group Comprehensive Income and Expenditure Statement £m
Gross income/(total operating income)	4,348.0	-	-	-	(34.6)	4,313.4
Gross expenditure/(operating cost)	(6,478.0)	(2,071.3)	750.9	-	27.9	(7,770.5)
Net cost of services before exceptional items/(divisional net operating deficit excluding grant income)	(2,130.0)	(2,071.3)	750.9	-	(6.7)	(3,457.1)
Net cost of services after exceptional items	(2,130.0)	(2,071.3)	750.9	-	(6.7)	(3,457.1)
Other net operating expenditure	-	(36.2)	-	-	-	(36.2)
Grant income	2,704.0	2,014.3	-	-	(367.2)	4,351.1
Group share of profit before tax of joint ventures	-	7.9	-	-	-	7.9
Group share of loss before tax of associated undertakings	-	24.0	-	-	-	24.0
(Capital renewals)	(551.0)	-	551.0	-	-	-
(Net cost of operations before financing)	23.0	(61.3)	1,301.9	-	(373.9)	889.7
Financing and investment income	-	198.6	-	4.0	-	202.6
Financing and investment expenditure	-	(51.7)	-	(443.0)	(7.1)	(501.8)
(Net financing costs)	(439.0)	-	-	439.0	-	-
Group surplus before tax/(net cost of operations after extraordinary grant)	(416.0)	85.6	1,301.9	-	(381.0)	590.5
Taxation income	-	(86.2)	-	-	-	(86.2)
Group surplus after tax	(416.0)	(0.6)	1,301.9	-	(381.0)	504.3

2. Segmental analysis (continued)

Reconciliation of the Operating Account as included in internal reports to management to the Group Comprehensive Income and Expenditure Statement (CI&E) (restated)

Year ended 31 March 2021	Operating Account as reported to management £m	Items included in the CI&E but excluded from the Operating Account £m	Items included in the Operating Account but excluded from the CI&E £m	Reclassifications between line items £m	Items with different accounting treatment (see note 2c) £m	Group Comprehensive Income and Expenditure Statement £m
Gross income/(total operating income)	2,377.0	-	-	-	18.8	2,395.8
Gross expenditure/(operating cost)	(6,381.0)	(1,802.5)	751.5	29.4	(2.2)	(7,404.8)
Net cost of services/(divisional net operating deficit excluding grant income)	(4,004.0)	(1,802.5)	751.5	29.4	16.6	(5,009.0)
Exceptional items	-	-	-	(29.4)	-	(29.4)
Net cost of services after exceptional items	(4,004.0)	(1,802.5)	751.5	-	16.6	(5,038.4)
Other net operating expenditure	-	(63.4)	-	-	-	(63.4)
Grant income	3,543.0	933.5	-	-	255.8	4,732.3
Group share of profit before tax of joint ventures	-	0.7	-	-	-	0.7
Group share of loss before tax of associated undertakings	-	(3.5)	-	-	-	(3.5)
(Capital renewals)	(367.0)	-	367.0	-	-	-
(Net cost of operations before financing)	(828.0)	(935.2)	1,118.5	-	272.4	(372.3)
Financing and investment income	-	35.8	-	13.6	-	49.4
Financing and investment expenditure	-	(146.0)	-	(453.6)	1.0	(598.6)
(Net financing costs)	(440.0)	-	-	440.0	-	-
Group deficit before tax/(net cost of operations after extraordinary grant)	(1,268.0)	(1,045.4)	1,118.5	-	273.4	(921.5)
Taxation income	-	10.5	-	-	-	10.5
Group deficit after tax	(1,268.0)	(1,034.9)	1,118.5	-	273.4	(911.0)

Where line item descriptors differ between the Operating Account and the Comprehensive Income and Expenditure Statement, those used in the Operating Account are shown within parentheses in the above tables.

2. Segmental analysis (continued)

2c) Detailed reconciliation of segmental information reported in internal management reports to amounts included in the Group (deficit)/surplus

The segmental analysis is prepared using internal management reporting accounting methodologies. In some cases, these methodologies are different from the accounting policies used in the financial statements. Where there are accounting policy differences between management reports and the statutory accounts, statutory accounting adjustments are not recorded by segment in the underlying accounting records. It is not therefore possible to produce a segmental breakdown of the Group financial statements on a statutory basis of reporting. Differences between the methodologies are explained in the paragraphs and table below.

- Depreciation, amortisation of intangibles and impairment charges are not included in the segmental analysis
- The cost of retirement benefits is recognised within gross expenditure in the Operating Account as a charge based on cash contributions paid during the year, rather than the pension service cost and net interest charge on defined benefit pension obligations recognised in the Comprehensive Income and Expenditure Statement. This better reflects the actual charge made to the General Fund in respect of pension costs which is calculated based on actual contributions paid as opposed to the charges flowing through the Comprehensive Income and Expenditure Statement as calculated under IAS 19
- The Operating Account excludes the net gain on disposal of investment properties and the change in fair value of investment properties that are included within financing and investment income in the Comprehensive Income and Expenditure Statement. Fair value movements are excluded from management reporting as these gains or losses are unrealised. The net proceeds from disposals, meanwhile, are included in the Capital Account for management reporting purposes, as these income streams may only be employed by the Corporation to fund capital expenditure and do not represent an ongoing revenue stream that can be employed to meeting the day-to-day operating costs of the network
- Similarly, the Operating Account excludes gains and losses on the disposal of property, plant and equipment and intangible assets recognised within other operating expenditure, and instead includes the net proceeds from these disposals in the Capital Account
- Internal management reporting includes a charge within operating expenditure for the costs of right-of-use leases, based on cash payments made in the period in relation to those leases. In the net cost of services in the Comprehensive Income and Expenditure Statement, this charge has been stripped out and replaced with the amortisation charge in respect of right-of-use assets within net cost of services and a financing charge included within financing and investment expenditure
- The Operating Account includes a charge for capital renewals expenditure which, in the statutory financial statements, is included within additions to property, plant and equipment. Renewals expenditure is included in the Operating Account for management reporting purposes to allow the Operating Account to present the ongoing, full, day-to-day cost of running and maintaining our existing network

2. Segmental analysis (continued)

- The Operating Account excludes the adjustment to financing expenditure made in respect of borrowing costs capitalised into qualifying assets (see note 9). Instead this charge is left within net financing costs so that amounts charged to the Operating Account reflect the full cost to the Group of financing its debt
- Certain grants received (primarily Business Rates Retention) are treated as capital grant for management reporting purposes and are thus excluded from the Operating Account (being instead included in the Capital Account). For statutory reporting purposes, however, all grant is recognised as income in the Comprehensive Income and Expenditure Statement. Moreover, certain grants badged as 'capital grant' for management reporting purposes, under law constitute resource grants, and may only be classified as capital grant where they have been applied to fund capital expenditure during the year
- The results of joint ventures and associated undertakings are excluded from the Operating Account as the TfL Group does not hold a controlling interest in these undertakings
- Other minor differences between the Comprehensive Income and Expenditure Statement and the Operating Account are collectively referred to as Central items and are not included in reports to management

2. Segmental analysis (continued)

Detailed reconciliation of net cost of operations per internal management reports to net cost of services per the Comprehensive Income and Expenditure Statement

	Note	2022 £m	2022 £m	2021 £m	2021 £m
Net cost of operations after Extraordinary grant per internal management reports			**(416.0)**		(1,267.0)
Adjustments between management and statutory reports:					
Add amounts included in the Comprehensive Income and Expenditure Statement not reported in management reports					
Depreciation	3	**(940.4)**		(939.7)	
Amortisation of right-of-use assets	3	**(361.6)**		(367.6)	
Amortisation of software intangibles	3	**(50.2)**		(37.2)	
Impairment	3	**(57.8)**		(6.3)	
Pension service costs	35	**(661.3)**		(451.7)	
			(2,071.3)		(1,802.5)
Other net operating expenditure	7		**(36.2)**		(63.4)
Group share of profit before tax of joint ventures	17		**7.9**		0.7
Group share of loss before tax of associated undertakings	18		**24.0**		(3.5)
Change in fair value of investment properties included in financing and investment income	8	**93.4**		-	
Net gain on disposal of investment properties	8	**105.2**		35.8	
			198.6		35.8
Net interest on defined benefit obligation	9	**(105.9)**		(90.1)	
Interest payable on lease and PFI liabilities	9	**(60.4)**		(63.0)	
Change in fair value of investment properties included in financing and investment expenditure	9	**-**		(83.3)	
Amounts capitalised into qualifying assets	9	**114.6**		90.4	
			(51.7)		(146.0)
Capital grant income	10		**2,014.3**		933.5
Tax	11		**(86.2)**		10.5
			(0.6)		(1,034.9)
Less items included in the Operating Account but excluded from the Comprehensive Income and Expenditure Statement					
Cash payments under PFI and lease arrangements		**373.0**		351.2	
Pension payments charged to operating costs		**377.9**		400.3	
			750.9		751.5
Capital renewals			**551.0**		367.0
			1,301.9		1,118.5
Amounts subject to differing accounting treatment between the Operating Account and the Comprehensive Income and Expenditure Statement					
Grant income			**(367.2)**		254.8
Central items			**(13.8)**		17.6
			(381.0)		272.4
Group surplus/(deficit) after tax per the Comprehensive Income and Expenditure Statement			**504.3**		(911.0)

3. Gross expenditure

Gross expenditure recognised in the Comprehensive Income and Expenditure Statement comprises:

Year ended 31 March	Note	**Group 2022 £m**	Group 2021 £m	**Corporation 2022 £m**	Corporation 2021* £m Restated
Staff costs:					
Wages and salaries **		**1,431.5**	1,422.8	**394.2**	401.5
Social security costs		**165.4**	163.9	**45.7**	46.4
Pension costs	35	**652.5**	442.4	**379.6**	169.2
		2,249.4	2,029.1	**819.5**	617.1
Other service expenditure ***		**3,926.3**	3,896.7	**266.6**	288.7
Credit loss expense		**184.8**	128.2	**171.7**	85.7
Depreciation	13	**940.4**	939.7	**142.0**	131.2
Amortisation right-of-use assets	14	**361.6**	367.6	**29.8**	30.0
Amortisation of software intangibles	12	**50.2**	37.2	**26.7**	22.2
Impairment	13	**57.8**	6.3	**20.7**	-
		7,770.5	7,404.8	**1,477.0**	1,174.9

* Restated to reflect £14.4m staff costs for employees not deemed to have transferred to TTL Properties Limited from 1 April 2020.

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

*** Included in the Corporation's other service expenditure is £81.9m (2020/21 £108.5m) relating to financial assistance to London Boroughs and other third parties (see note 41 for detailed analysis).

The average number of persons employed in the year was:

Year ended 31 March	**Group 2022 Number**	Group 2021 Number	**Corporation 2022 Number**	Corporation 2021* Number Restated
Permanent staff (including fixed term contracts)	**25,408**	25,692	**7,282**	7,175
Agency staff	**1,586**	1,175	**1,093**	838
	26,994	26,867	**8,375**	8,013

* Restated to reflect employees not deemed to have transferred to TTL Properties Limited from 1 April 2020.

4. External audit fees

External audit fees are made up as follows:

Year ended 31 March	Group 2022 £m	Group 2021 £m	Corporation 2022 £m	Corporation 2021 £m
Auditor's remuneration:				
for statutory audit services	**1.6**	1.8	**0.1**	0.1
for non-statutory audit services	**-**	0.1	**-**	-
for non-audit services *	**-**	-	**-**	-
	1.6	1.9	**0.1**	0.1

* 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.

6. Exceptional items

Year ended 31 March	Group 2022 £m	Group 2021 £m	Corporation 2022 £m	Corporation 2021 £m
Exceptional costs relating to the coronavirus pandemic	**-**	29.4	**-**	-

Exceptional costs included in the table above comprise costs relating to the safe stop of capital projects during the lockdown phase of the pandemic.

7. Other operating expenditure

Year ended 31 March	Group 2022 £m	Group 2021 £m	Corporation 2022 £m	Corporation 2021 £m
Net loss on disposal of property, plant and equipment	**36.2**	63.4	**2.7**	20.4
Total other operating expenditure	**36.2**	63.4	**2.7**	20.4

8. Financing and investment income

Year ended 31 March	Group 2022 £m	Group 2021 £m	Corporation 2022 £m	Corporation 2021 £m
Interest income on bank deposits and other investments	**1.6**	2.2	**1.5**	2.1
Realised exchange gain on foreign currency investments	**-**	4.1	**-**	-
Interest income on loans to subsidiaries	**-**	-	**403.3**	400.1
Change in fair value of investment properties (including those classified as held for sale)	**93.4**	-	**50.5**	-
Net gain on disposal of investment properties	**105.2**	35.8	**85.0**	30.9
Interest receivable on finance lease receivables	**1.1**	2.7	**-**	-
Other investment income	**1.3**	4.6	**0.1**	3.6
	202.6	49.4	**540.4**	436.7

9. Financing and investment expenditure

Year ended 31 March	Note	**Group 2022 £m**	Group 2021 £m	**Corporation 2022 £m**	Corporation 2021 £m
Interest payable on loans and derivatives		**433.3**	437.3	**414.5**	415.5
Interest payable on right-of-use lease liabilities		**55.5**	57.5	**11.0**	11.6
Interest payable on PFI liabilities		**4.9**	5.5	**4.8**	5.2
Contingent rentals on PFI contracts		**10.5**	9.7	**10.2**	9.5
Change in fair value of investment properties (including those classified as held for sale)		**-**	83.3	**-**	2.3
Net interest on defined benefit obligation	35	**105.9**	90.1	**104.8**	89.7
Other financing and investment expenditure		**6.3**	5.6	**1.7**	1.1
		616.4	689.0	**547.0**	534.9
Less: amounts capitalised into qualifying assets	13	**(114.6)**	(90.4)	**-**	-
		501.8	598.6	**547.0**	534.9

10. Grant income

Year ended 31 March	Group 2022 £m	Group 2021 £m	Corporation 2022 £m	Corporation 2021 £m
Non ring-fenced resource grant from the DfT used to fund operations	**1,716.8**	2,457.2	**1,716.8**	2,457.2
Non ring-fenced Business Rates Retention from the GLA used to fund operations	**494.1**	1,189.4	**494.1**	1,189.4
Other revenue grant received	**74.3**	146.2	**72.4**	104.4
Council tax precept	**51.6**	6.0	**51.6**	6.0
Total grants allocated to revenue	**2,336.8**	3,798.8	**2,334.9**	3,757.0
Ring-fenced grant from the GLA used to fund capital expenditure relating to Crossrail	**554.0**	46.0	**554.0**	46.0
Non ring-fenced Business Rates Retention from the GLA used to fund capital	**1,350.2**	689.6	**1,350.2**	689.6
Other capital grants and contributions received	**110.1**	197.9	**50.4**	120.6
Total grants allocated to capital	**2,014.3**	933.5	**1,954.6**	856.2
Total grants	**4,351.1**	4,732.3	**4,289.5**	4,613.2

Allocation of capital grants

Year ended 31 March	Note	Group 2022 £m	Group 2021 £m	Corporation 2022 £m	Corporation 2021 £m
Capital grant funding of subsidiaries		**-**	-	**1,216.0**	69.9
Applied capital grants	37	**2,014.3**	933.5	**738.6**	786.3
Total capital grants		**2,014.3**	933.5	**1,954.6**	856.2

11. Taxation

TfL Corporation is exempt from Corporation Tax, but its subsidiaries are assessable individually to taxation in accordance with current tax legislation.

a) Corporation Tax

The Group tax expense for the year, based on the rate of Corporation Tax of 19 per cent (2020/21 19 per cent) comprised:

Year ended 31 March	Group 2022 £m	Group 2021 £m
UK Corporation Tax - current year charge	-	-
UK Corporation Tax - adjustments in respect of prior years	-	(1.6)
Total current tax income	**-**	(1.6)
Deferred tax - current year charge/(credit)	**86.2**	(8.9)
Total tax charge/(credit) for the year	**86.2**	(10.5)

Reconciliation of tax expense

Year ended 31 March	Group 2022 £m	Group 2021 £m
Surplus/(deficit) on the provision of services before tax	**590.5**	(921.5)
Surplus/(deficit) on the provision of services before tax multiplied by standard rate of Corporation Tax in the UK of 19% (2020/21 19%)	**112.2**	(175.1)
Effects of:		
Non-taxable income/non-deductible expenses	**(65.9)**	99.0
Prior period adjustments	**-**	(1.6)
Permanent difference in TfL Corporation	**(97.1)**	8.0
Amount charged to current tax for which no deferred tax was recognised	**138.9**	58.7
Utilisation of tax losses carried forward for which no deferred tax was recognised	**(0.9)**	(0.9)
Overseas earnings	**(1.0)**	1.4
Total tax charge/(credit) for the year	**86.2**	(10.5)

11. Taxation (continued)

b) Unrecognised deferred tax assets

The Group has a potential net deferred tax asset of £2,983.5m (2021 £2,119.9m) in respect of the following items:

	Group 2022 £m	Group 2021 £m
Deductible temporary differences	**1,636.7**	1,120.9
Tax losses	**1,313.4**	999.0
Unrecognised deferred tax asset	**2,950.1**	2,119.9

No net deferred tax asset has been recognised in respect of the above as it is not considered probable that there will be sufficient future taxable profits available against which the unused tax credits can be utilised. The tax losses and the deductible temporary differences do not expire under current tax legislation.

The net deferred tax asset excludes any amounts connected to the pension deficit.

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

Deferred tax assets have been recognised only to the extent that they are considered available to offset deferred tax liabilities as at the Balance Sheet date. Their movements during the year were in respect of the following items:

For the year ended 31 March 2022	Balance at 1 April 2021 £m	Movement in the provision of services £m	Movement in other comprehensive income during the year £m	Balance at 31 March 2022 £m
Deferred tax assets				
Property, plant and equipment	14.5	44.5	-	**59.0**
Derivative financial instruments	20.7	(9.1)	-	**11.6**
Total	35.2	35.4	-	**70.6**
Deferred tax liabilities				
Investment properties	(254.7)	(120.0)	(54.7)	**(429.4)**
Assets held for sale	(14.8)	(1.6)	-	**(16.4)**
Total	(269.5)	(121.6)	(54.7)	**(445.8)**
Net deferred tax liability	(234.3)	(86.2)	(54.7)	**(375.2)**

11. Taxation (continued)

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

For the year ended 31 March 2021	Balance at 1 April 2020 £m	Movement in the provision of services £m	Movement in other comprehensive income during the year £m	Balance at 31 March 2021 £m
Deferred tax assets				
Property, plant and equipment	16.0	(1.5)	-	14.5
Derivative financial instruments	23.3	(2.6)	-	20.7
Total	39.3	(4.1)	-	35.2
Deferred tax liabilities				
Investment properties	(263.9)	9.9	(0.7)	(254.7)
Assets held for sale	(17.9)	3.1	-	(14.8)
Total	(281.8)	13.0	(0.7)	(269.5)
Net deferred tax liability	(242.5)	8.9	(0.7)	(234.3)

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

- An increase in the UK Corporation Tax rate to 25 per cent, with effect from 1 April 2023, was substantively enacted in the period. As the deferred tax balances are not expected to to be settled until after 1 April 2023, they have been calculated at a rate of 25 per cent (2020/21: 19 per cent). This change in tax rate has led to an increase in all deferred tax liabilities and assets.
- The deferred tax liability arising on investment properties, including those classified as assets held for sale, has increased due to the revaluation movements recognised in financing and investment income and Other Comprehensive Income during the year
- Certain properties that had not previously been held at a value were reclassified as investment property and valued at open market value prior to transfer to TTL Properties Limited (a subsidiary of the Corporation) during the year. It is not considered that sufficient deferred tax assets will be available to offset this deferred tax liability in full. A deferred tax liability has been recognised in Other Comprehensive Income in relation to the revaluation gain recognised in Other Comprehensive income in respect of these assets
- The property, plant and equipment deferred tax asset has changed in the period due to assets acquired in the year, movements in the market value of assets held and capital allowances claimed
- Included in the deferred tax balances for property, plant and equipment is the deferred tax movement on revaluation gains recognised in Other Comprehensive Income
- The deferred tax asset arising in respect of derivative financial instruments has decreased during 2021/22 due to movement in the fair value of derivatives

Notes to the Financial Statements

UK Corporation Tax is calculated at a rate of 19 per cent (2020/21: 19 per cent). In the Spring Budget 2021, it was announced that the main rate of Corporation Tax will increase to 25 per cent with effect from 1 April 2023, this amendment was substantively enacted in May 2021. As the Group's deferred tax balances are not expected to be settled until after 1 April 2023, deferred tax balances at 31 March 2022 have been calculated at a rate of 25 per cent.

11. Taxation (continued)

No deferred tax asset has been recognised on the Corporation's pension deficit 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 2022, no deferred tax assets have been recognised in these entities.

12. Intangible assets

a) Group intangible assets

	Note	Software costs £m	Intangible assets under construction £m	Goodwill £m	Total £m
Cost					
At 1 April 2020		463.7	16.5	351.8	832.0
Additions		37.8	1.9	-	39.7
Net transfers from property, plant and equipment	13	28.1	-	-	28.1
Transfers between asset classes		0.1	(0.1)	-	-
At 31 March 2021		529.7	18.3	351.8	899.8
Additions		**8.2**	**6.0**	**-**	**14.2**
Net transfers from property, plant and equipment	13	**46.0**	**97.6**	**-**	**143.6**
Transfers between asset classes		**93.8**	**(93.8)**	**-**	**-**
At 31 March 2022		**509.9**	**28.1**	**351.8**	**889.8**
Amortisation and impairment					
At 1 April 2020		364.1	-	349.2	713.3
Amortisation charge for the year	3	37.2	-	-	37.2
At 31 March 2021		401.3	-	349.2	750.5
Amortisation charge for the year	3	**50.2**	**-**	**-**	**50.2**
Net transfers to property, plant and equipment	13	**0.4**	**-**	**-**	**0.4**
Disposals		**(167.8)**	**-**	**-**	**(167.8)**
At 31 March 2022		**284.1**	**-**	**349.2**	**633.3**
Net book value at 31 March 2022		**225.8**	**28.1**	**2.6**	**256.5**
Net book value at 31 March 2021		128.4	18.3	2.6	149.3

Intangible assets under construction comprise software assets under development by the Group.

12. Intangible assets (continued)

b) Corporation intangible assets

	Note	Software costs £m	Intangible assets under construction £m	Total £m
Cost				
At 1 April 2020		331.9	10.5	342.4
Additions		31.4	-	31.4
Transfers between asset classes		2.6	(2.6)	-
At 31 March 2021		365.9	7.9	373.8
Additions		**8.0**	**0.6**	**8.6**
Net transfers from property, plant and equipment	13	**8.0**	**108.0**	**116.0**
Transfers between asset classes		**104.3**	**(104.3)**	**-**
Disposals		**(167.7)**	**-**	**(167.7)**
At 31 March 2022		**318.5**	**12.2**	**330.7**
Amortisation and impairment				
At 1 April 2020		264.7	-	264.7
Amortisation charge for the year	3	22.2	-	22.2
At 31 March 2021		286.9	-	286.9
Amortisation charge for the year	3	**26.7**	**-**	**26.7**
Net transfers from property, plant and equipment	13	**0.4**	**-**	**0.4**
Disposals		**(167.8)**	**-**	**(167.8)**
At 31 March 2022		**146.2**	**-**	**146.2**
Net book value at 31 March 2022		**172.3**	**12.2**	**184.5**
Net book value at 31 March 2021		79.0	7.9	86.9

Intangible assets under construction comprise software assets under development by the Corporation.

13. Property, plant and equipment

a) Group property, plant and equipment at 31 March 2022 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 2021		35,121.0	5,050.7	2,240.2	20,038.7	62,450.6
Additions		421.1	23.1	34.1	1,573.6	2,051.9
Transfers to intangible assets	12	(8.0)	-	-	(135.6)	(143.6)
Transfers to investment properties	15	(5.3)	-	-	(110.1)	(115.4)
Transfers to assets held for sale		-	-	-	(83.4)	(83.4)
Transfers between asset classes		2,385.1	13.7	66.6	(2,465.4)	-
Disposals		(13.1)	-	(111.1)	-	(124.2)
Write offs		-	-	(5.3)	(30.9)	(36.2)
Revaluation		13.1	-	-	-	13.1
At 31 March 2022		37,913.9	5,087.5	2,224.5	18,786.9	64,012.8
Depreciation and impairment						
At 1 April 2021		15,467.4	2,383.6	1,500.8	4.9	19,356.7
Depreciation charge for the year	3	702.8	123.1	114.5	-	940.4
Impairment charge for the year	3	-	-	6.4	51.4	57.8
Transfers to investment properties	15	(0.5)	-	-	-	(0.5)
Disposals		(8.6)	-	(115.3)	-	(123.9)
Revaluation		(8.8)	-	-	-	(8.8)
At 31 March 2022		16,151.9	2,506.7	1,506.4	56.3	20,221.3
Net book value at 31 March 2022		21,762.0	2,580.8	718.1	18,730.6	43,791.5
Net book value at 31 March 2021		19,653.6	2,667.1	739.4	20,033.8	43,093.9

13. Property, plant and equipment (continued)

b) Group property, plant and equipment at 31 March 2021 comprised the following elements:

	Note	Infrastructure and office buildings £m	Rolling stock £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation						
At 1 April 2020		34,182.4	4,976.6	2,129.7	19,252.7	60,541.4
Additions		953.2	74.1	126.5	894.8	2,048.6
Transfers to intangible assets	12	-	-	-	(28.1)	(28.1)
Transfers to investment properties	15	(21.1)	-	-	-	(21.1)
Transfers between asset classes		0.2	-	21.3	(21.5)	-
Disposals		(1.1)	-	(35.8)	(3.0)	(39.9)
Write offs		-	-	(1.5)	(56.2)	(57.7)
Revaluation		7.4	-	-	-	7.4
At 31 March 2021		35,121.0	5,050.7	2,240.2	20,038.7	62,450.6
Depreciation						
At 1 April 2020		14,754.8	2,266.1	1,427.9	-	18,448.8
Depreciation charge for the year	3	716.8	117.5	105.4	-	939.7
Impairment charge for the year		-	-	1.4	4.9	6.3
Transfers to investment properties	15	(0.2)	-	-	-	(0.2)
Disposals		-	-	(33.9)	-	(33.9)
Revaluation		(4.0)	-	-	-	(4.0)
At 31 March 2021		15,467.4	2,383.6	1,500.8	4.9	19,356.7

The Group holds its office buildings at valuation. All other items of property, plant and equipment are held at cost.

As set out in the going concern note to the accounting policies, as part of the wider Government review of the Group, a review of the capital programme has been conducted and a Financial Sustainability Plan has been drawn up identifying capital projects that remain priorities for future funding. TfL's current and planned future capital investment projects have been categorised by management according to their relative funding priority, taking into consideration such factors as health and safety requirements, the phase at which a project sits in its lifecycle, Government and mayoral priorities, sources of funding and penalties that may be incurred if projects are paused or permanently halted. Certain lower priority projects where termination penalties are not prohibitive have been paused or terminated during the year and related assets under construction have been written off or impaired as appropriate in the table above. Management believe that all capital projects in progress at 31 March 2022 should continue to be funded. However, until a longer-term financing package has been formally agreed, a material level of uncertainty remains as to whether all projects in the course of construction at 31 March 2022 will be fully funded to completion.

13. Property, plant and equipment (continued)

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 £114.6m (2021 £90.4m). The cumulative borrowing costs capitalised are £923.4m (2021 £808.8m). 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 2022, the Group had capital commitments which are contracted for but not provided for in the financial statements amounting to £1,103.7m (2021 £1,240.9m).

On 21 November 2019, the Corporation entered into an agreement with RiverLinx Limited for the Design, Build, Financing, Operations and Maintenance of Silvertown Tunnel, connecting the Greenwich Peninsula and the Royal Docks in London. Our financial obligations to make payments to RiverLinx Limited will start once the tunnel is open, currently planned in early 2025 (the 'Permit to Use Date'). From the Permit to Use Date, the Corporation will make performance-based availability payments, initially at £65m annually and indexed until the expiry date of the agreement in January 2050.

c) Group PFI assets

The net book value above includes the following amounts in respect of PFI assets:

	Infrastructure and office buildings £m	**Rolling stock £m**	**Plant and equipment £m**	**Total £m**
Gross cost	**976.6**	**45.3**	**16.7**	**1,038.6**
Accumulated depreciation	**(554.7)**	**(45.3)**	**(16.7)**	**(616.7)**
Net book value at 31 March 2022	**421.9**	**-**	**-**	**421.9**
Net book value at 31 March 2021	254.8	-	-	254.8

d) Depreciation charge

The total depreciation charge for the Group for the year comprised:

Year ended 31 March	Note	**2022 £m**	2021 £m
Depreciation of owned assets		**935.5**	934.8
Depreciation of assets held under PFI arrangements		**4.9**	4.9
Total depreciation	3	**940.4**	939.7

13. Property, plant and equipment (continued)

e) Group office buildings

The existing use value of owner-occupied office buildings at 31 March 2022 has been arrived at on the basis of a valuation carried out at that date by CBRE, a real estate advisory business not connected with the Group, and by chartered surveyors working for TfL. In determining the existing use value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate, making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs.

Properties are valued in accordance with the Red Book, RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors.

Valuations are performed annually. The value of these buildings at 31 March 2022 was £74.1m (2021 £185.2m) and the depreciated historical cost value was £26.9m (2021 £36.6m). A related revaluation gain for the year of £3.6m (2020/21 a gain of £11.4m) has been recognised within Other Comprehensive Income and Expenditure.

f) Group and Corporation heritage assets

Property, plant and equipment includes a number of assets of importance to the history of London transport which are classified as heritage assets in accordance with the Code. These comprise transport-related objects and material (including vehicles, posters and photographs) held to advance the preservation, conservation and education objects of London Transport Museum. The collection consists of more than 400,000 items and is housed at the Museum's sites in Covent Garden and Acton.

These assets are primarily former operational assets of the TfL Group whose legal title is retained by the Corporation or another of its operating subsidiaries. Due to the diverse nature of the assets held and the lack of comparable market values, the cost of obtaining a valuation of TfL's heritage assets is such that it would not be commensurate with the benefits provided to users of the financial statements. The assets therefore remain recorded in the accounts at historical cost less accumulated depreciation. The collections have been externally valued for insurance purposes only. Management do not consider these insurance valuations to be necessarily indicative of open market fair value and hence have not incorporated the insurance values into the financial statements. No valuation was carried out during the year. The last valuation was carried out as at 31 March 2021 resulting in a value of £37.5m. The net book value of these assets at 31 March 2022 was £nil (2021 £nil).

13 Property, plant and equipment (continued)

g) Corporation property, plant and equipment at 31 March 2022 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 2021		5,522.5	293.3	1,301.3	7,117.1
Additions		43.6	20.3	188.9	252.8
Net transfers to intangible assets	12	(8.0)	-	(108.0)	(116.0)
Transfers to investment properties	15	-	-	(34.4)	(34.4)
Transfers between asset classes		907.7	27.2	(934.9)	-
Disposals		0.1	(70.3)	(2.9)	(73.1)
Intercompany transfer		(9.5)	-	-	(9.5)
Revaluation		0.1	-	-	0.1
At 31 March 2022		**6,456.5**	**270.5**	**410.0**	**7,137.0**
Depreciation					
At 1 April 2021		2,662.0	201.4	-	2,863.4
Depreciation charge for the year	3	118.1	23.9	-	142.0
Impairment charge for the year		-	-	20.7	20.7
Transfers to intangible assets		(0.4)	-	-	(0.4)
Disposals		(0.1)	(70.3)	-	(70.4)
At 31 March 2022		**2,779.6**	**155.0**	**20.7**	**2,955.3**
Net book value at 31 March 2022		**3,676.9**	**115.5**	**389.3**	**4,181.7**
Net book value at 31 March 2021		2,860.5	91.9	1,301.3	4,253.7

13 Property, plant and equipment (continued)

h) Corporation property, plant and equipment at 31 March 2021 comprised the following elements:

	Note	Infrastructure and office buildings £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2020		5,356.9	253.1	1,274.1	6,884.1
Additions		163.2	40.2	47.6	251.0
Disposals		-	-	(1.5)	(1.5)
Write offs		-	-	(18.9)	(18.9)
Revaluation		2.4	-	-	2.4
At 31 March 2021		5,522.5	293.3	1,301.3	7,117.1
Depreciation					
At 1 April 2020		2,549.2	183.4	-	2,732.6
Depreciation charge for the year	3	113.2	18.0	-	131.2
Revaluation		(0.4)	-	-	(0.4)
At 31 March 2021		2,662.0	201.4	-	2,863.4

The Corporation holds its office buildings at valuation. All other items of property, plant and equipment are held at depreciated cost.

Direct borrowing costs are included in the cost of qualifying assets to the extent that the asset is funded by borrowings. Total borrowing costs capitalised during the year were £nil (2021 £nil). The cumulative borrowing costs capitalised are also £nil (2021 £nil).

At 31 March 2022, the Corporation had capital commitments which are contracted for but not provided for in the financial statements amounting to £43.2m (2021 £64.9m).

In addition, and as described in section b) to this note, the Corporation has entered into an agreement with RiverLinx Limited for Design, Build, Financing and Maintenance of a Silvertown Tunnel, connecting the Greenwich Peninsula and the Royal Docks in London. Our financial obligations to make payments to RiverLinx Limited will start once the tunnel is open, currently planned in early 2025, initially at £65m annually and indexed until the expiry date of the agreement in January 2050.

13. Property, plant and equipment (continued)

i) Corporation PFI assets

The net book value above includes the amounts in the table below in respect of PFI assets:

	Infrastructure and office buildings £m	Plant and equipment £m	Total £m
Gross cost	**209.1**	**16.7**	**225.8**
Depreciation	**(99.0)**	**(16.7)**	**(115.7)**
Net book value at 31 March 2022	**110.1**	**-**	**110.1**
Net book value at 31 March 2021	112.8	-	112.8

j) Depreciation charge

The total depreciation charge for the Corporation comprised:

Year ended 31 March	Note	2022 £m	2021 £m
Depreciation of owned assets		**139.2**	128.6
Depreciation of assets held under PFI		**2.7**	2.6
Total depreciation	3	**141.9**	131.2

k) Corporation office buildings and other infrastructure assets held at valuation

The existing use value of owner-occupied office buildings at 31 March 2022 has been arrived at on the basis of a valuation carried out at that date by CBRE, a real estate advisory business not connected with the Group, and by chartered surveyors working for TfL. In determining the existing use value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate, making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs.

Properties are valued in accordance with the Red Book, RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors.

Valuations are performed annually. The value of these buildings held by the Corporation at 31 March 2022 was £0.6m (2021 £10.2m) and the depreciated historical cost value was £nil (2021 £nil). A related revaluation gain for the year of £nil (2020/21 a gain of £2.8m) has been recognised within Other Comprehensive Income and Expenditure.

14. Right-of-use assets and related lease liabilities

This note provides information for leases where the Group and/or Corporation is a lessee. For leases where the Group and/or Corporation is a lessor, see note 19.

As described in note e) to the Accounting Policies, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the coronavirus pandemic. In a few instances, particularly on property leases, a rent concession in the form of a rent holiday was received in 2020/21. We applied the practical expedient where TfL as a lessee elected not to assess whether a COVID-19-related rent concession from a lessor was a lease modification.

a) Group right-of-use assets at 31 March 2022 comprised the following elements:

	Note	Infrastructure and office buildings £m	Rolling stock £m	Buses £m	Motor vehicles £m	Other equipment £m	Total £m
Cost or valuation							
At 1 April 2021		**577.5**	**1,495.7**	**1,006.6**	**13.7**	**119.3**	**3,212.8**
Additions		**8.7**	**44.5**	**176.5**	**0.3**	**6.6**	**236.6**
Lease terminations		**-**	**-**	**(7.2)**	**-**	**(5.4)**	**(12.6)**
Valuation adjustment		**(0.9)**	**6.3**	**-**	**-**	**-**	**5.4**
At 31 March 2022		**585.3**	**1,546.5**	**1,175.9**	**14.0**	**120.5**	**3,442.2**
Amortisation							
At 1 April 2021		**77.4**	**324.4**	**438.4**	**5.5**	**37.6**	**883.3**
Charge for the year	3	**39.1**	**80.6**	**219.6**	**3.0**	**19.3**	**361.6**
Disposals		**-**	**-**	**(7.2)**	**-**	**(5.4)**	**(12.6)**
At 31 March 2022		**116.5**	**405.0**	**650.8**	**8.5**	**51.5**	**1,232.3**
Net book value at 31 March 2022		**468.8**	**1,141.5**	**525.1**	**5.5**	**69.0**	**2,209.9**
Net book value at 31 March 2021		500.1	1,171.3	568.2	8.2	81.7	2,329.5

14. Right-of-use assets and related lease liabilities (continued)

b) Group right-of-use assets at 31 March 2021 comprised the following elements:

	Note	Infrastructure and office buildings £m	Rolling stock £m	Buses £m	Motor vehicles £m	Other equipment £m	Total £m
Cost or valuation							
At 1 April 2020		555.8	1,384.7	762.1	11.4	111.3	2,825.3
Additions		23.2	127.3	244.5	2.3	8.0	405.3
Valuation adjustment		(1.5)	(16.3)	–	–	–	(17.8)
At 31 March 2021		577.5	1,495.7	1,006.6	13.7	119.3	3,212.8
Amortisation							
At 1 April 2020		38.3	245.5	213.8	2.5	15.6	515.7
Charge for the year	3	39.1	78.9	224.6	3.0	22.0	367.6
At 31 March 2021		77.4	324.4	438.4	5.5	37.6	883.3

14. Right-of-use assets and related lease liabilities (continued)

c) Group lease liabilities in relation to right-of-use assets

At 31 March	2022 £m	2021 £m
Principal outstanding		
Short-term liabilities	**334.1**	329.3
Long-term liabilities	**2,102.2**	2,179.8
	2,436.3	2,509.1

d) Group maturity analysis of right-of-use lease liabilities

At 31 March	2022 £m	2021 £m
Contractual undiscounted payments due in:		
Not later than one year	**365.5**	361.8
Later than one year but not later than two years	**328.4**	334.4
Later than two years but not later than five years	**580.3**	596.6
Later than five years	**1,799.6**	1,875.8
	3,073.8	3,168.6
Less:		
Present value discount	**(637.4)**	(659.2)
Exempt cashflows	**(0.1)**	(0.3)
Present value of minimum lease payments	**2,436.3**	2,509.1

14. Right-of-use assets and related lease liabilities (continued)

e) Analysis of amounts included in the Group Comprehensive Income and Expenditure Statement

Year ended 31 March	Note	2022 £m	2021 £m
Amortisation of right-of-use assets	3	**361.6**	367.6
Interest payable on right-of-use lease liabilities (before impact of interest rate hedges)		**59.5**	61.8
Expense relating to short-term leases (included in gross expenditure)		**3.0**	0.5
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in gross expenditure)		**0.1**	-
Income from sub-leasing right-of-use assets (included in gross income)		**12.5**	10.7

f) Analysis of amounts included in the Statement of Cash Flows

The total cash outflow in the Group in respect of leases was £376.6m (2020/21 £357.2m).

g) The Group's leasing activities and how these are accounted for

As a lessee, the Group leases various infrastructure and office buildings, rolling stock, buses, motor vehicles and other equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The accounting for these leases is described within the Accounting Policies, note ac).

h) Future cash flows to which the lessee is potentially exposed that are/are not reflected in the measurement of lease liabilities

Variable lease payments

Most of the Group's infrastructure and office buildings have variable lease payments linked to a consumer price index. Rolling stock contracts have variable lease payments interest linked to a floating rate. When there is a change in cash flows because of the change in consumer price index or change in floating rate, then the lease liability is re-measured to reflect those revised lease payments and corresponding adjustments are made to the right-of-use asset.

Extension and termination options

Some of the Group's lease contracts have extension and termination options. These options and related payments are only included when the Group is reasonably certain that it will exercise these options. At the date of these financial statements, there are no facts and circumstances that create an economic incentive for the Group to extend or terminate the lease.

14. Right-of-use assets and related lease liabilities (continued)

Leases not yet commenced to which the TfL Group as a lessee is committed

As at 31 March 2022, one rolling stock contract had commenced. However, while a certain number of units of rolling stock had been accepted and leased under this contract as at 31 March, the entire quota in this contract had not yet been received or recognised. The right-of-use asset and the related lease liability in relation to the rolling stock accepted at 31 March 2022 were £226.5m and £248.6m respectively (2021 £911.4m and £1,037.5m respectively), out of a total commitment of £268.1m (2021 £1,100m) in the contract. Because the contractual payments under these lease arrangements are set at the outset of the contract in relation to the full quota of trains to be received, and the total contractual payments are not linked to the timing of acceptance of specific batches of trains, the Incremental Borrowing Rate at the commencement of the lease has been applied as the rate at which future liabilities relating to all trains under these contracts are discounted, irrespective of the date of their acceptance into use by TfL.

Further in the current year, for one of the lease contracts all the rolling stock units have been accepted this year and hence the entire liability is recorded at 31 March 2022.

i) Corporation right-of-use assets at 31 March 2022 comprised the following elements:

	Note	Infrastructure and office buildings £m	Other equipment £m	Total £m
Cost or valuation				
At 1 April 2021		**430.8**	**19.1**	**449.9**
Additions		**-**	**7.0**	**7.0**
Disposals		**-**	**(3.8)**	**(3.8)**
Revaluation		**-**	**-**	**-**
At 31 March 2022		**430.8**	**22.3**	**453.1**
Amortisation				
At 1 April 2021		**50.4**	**8.2**	**58.6**
Charge for the year	3	**25.1**	**4.7**	**29.8**
Disposals		**-**	**(3.8)**	**(3.8)**
At 31 March 2022		**75.5**	**9.1**	**84.6**
Net book value at 31 March 2022		**355.3**	**13.2**	**368.5**
Net book value at 31 March 2021		380.4	10.9	391.3

14. Right-of-use assets and related lease liabilities (continued)

j) Corporation right-of-use assets at 31 March 2021 comprised the following elements:

	Note	Infrastructure and office buildings £m	Other equipment £m	Total £m
Cost or valuation				
A 1 April 2020		432.3	17.4	449.7
Additions		(0.1)	1.7	1.6
Revaluation		(1.4)	-	(1.4)
At 31 March 2021		430.8	19.1	449.9
Amortisation				
At 1 April 2020		25.2	3.4	28.6
Charge for the year	3	25.2	4.8	30.0
At 31 March 2021		50.4	8.2	58.6

14. Right-of-use assets and related lease liabilities (continued)

k) Corporation lease liabilities in relation to right-of-use assets

At 31 March	2022 £m	2021 £m
Principal outstanding		
Short-term liabilities	**27.0**	26.7
Long-term liabilities	**367.1**	386.8
	394.1	413.5

l) Corporation maturity analysis of right-of-use lease liabilities

At 31 March	2022 £m	2021 £m
Contractual undiscounted payments due in:		
Not later than one year	**37.3**	37.6
Later than one year but not later than two years	**37.0**	35.8
Later than two years but not later than five years	**102.9**	101.2
Later than five years	**307.7**	340.4
	484.9	515.0
Less:		
Present value discount	**(90.8)**	(101.5)
Present value of minimum lease payments	**394.1**	413.5

m) Analysis of amounts included in the Corporation Comprehensive Income and Expenditure Statement

Year ended 31 March	Note	2022 £m	2021 £m
Amortisation of right-of-use assets	3	**29.8**	30.0
Interest payable on right-of-use lease liabilities		**11.0**	11.6
Expense relating to short-term leases (included in gross expenditure)		**-**	-
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in gross expenditure)		**-**	-
Income from sub-leasing right-of-use assets (included in gross income)		**-**	-

14. Right-of-use assets and related lease liabilities (continued)

n) Analysis of amounts included in the Corporation Statement of Cash Flows

The total cash outflow in the Corporation in respect of leases in 2021/22 was £37.3m (2020/21 £37.7m).

o) The Corporation's leasing activities and how these are accounted for

As a lessee, the Corporation leases various office buildings. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The accounting for these leases is described within the Accounting Policies, notes s) and ac).

p) Future cash flows to which the lessee is potentially exposed that are/are not reflected in the measurement of lease liabilities.

Variable lease payments

Most of the Corporation's office buildings have variable lease payments linked to a consumer price index. When there is a change in cash flows because of the change in consumer price index or change in floating rate, then the lease liability is remeasured to reflect those revised lease payments and a corresponding adjustment is made to the right-of-use asset.

Extension and termination options

Some of the Corporation's lease contracts have extension and termination options. These options and related payments are only included when the Corporation is reasonably certain that it will exercise these options. At the date of these financial statements, there are no facts and circumstances that create an economic incentive for the Corporation to extend or terminate the lease.

Leases not yet commenced to which the Corporation as a lessee is committed

As at 31 March 2022 the Corporation is not party to any lease arrangements to which the Corporation as a lessee is committed but for which it has not yet recognised any right-of-use asset or liability on the Balance Sheet (2021 none).

q) Peppercorn leases in the Group and Corporation

TfL has a number of leases over property and other transport infrastructure under which it pays £nil or peppercorn rents. It has undertaken an exercise to assess the fair value of the assets leased under these arrangements and has concluded that they have no material value. No amounts have therefore been recorded in these financial statements in respect of these leases.

15. Investment properties

	Note	Group £m	Corporation £m
Valuation			
At 1 April 2020		1,430.5	14.1
Additions		22.7	17.7
Transfers to subsidiary undertakings		-	(1.6)
Transfers from assets held for sale	22	19.7	1.0
Transfers from property, plant and equipment	13	20.9	-
Disposals		(22.3)	(17.7)
Fair value adjustments	8	(12.8)	(1.9)
At 31 March 2021		1,458.7	11.6
Additions		**23.6**	**4.0**
Transfers to subsidiary undertakings		**-**	**-**
Tranfers to assets held for sale	22	**(6.8)**	**(0.7)**
Net transfers from assets held for sale	22	**16.0**	**27.3**
Transfers from property, plant and equipment	13	**114.9**	**34.4**
Disposals		**(18.1)**	**(9.5)**
Fair value adjustments		**125.0**	**30.0**
At 31 March 2022		**1,713.3**	**97.1**

The fair value of the Group's investment properties at 31 March 2022 has been arrived at on the basis of valuations at that date by CBRE, a real estate advisory business not connected with the Group, and by chartered surveyors working for TfL. In determining the fair value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate; making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs. Values are therefore calculated under level 3 of the fair value hierarchy. In estimating fair value, the highest and best use of the properties is assumed to be their current use. There were no transfers of properties in or out of level 3 of the fair value hierarchy during the year (2020/21 none).

Properties are valued annually in accordance with the Red Book, RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors.

15. Investment properties (continued)

In order to create a consolidated commercial property portfolio, assets previously held at a depreciated historical cost value within property, plant and equipment, have been identified and transferred into a designated investment portfolio alongside a range of existing investment properties. In addition, the creation of new lease structures allowed the recognition, for the first time, of newly separable investment property assets which have been recorded at fair value at the date of creation of the lease structure. These assets have been combined into a vehicle to deliver homes under the Mayor's Transport Strategy, and a growing sustainable income stream, as well as to facilitate the ability to generate both debt and equity to fund capital requirements. In the year to 31 March 2022, a total net revaluation gain of £130.8m (including movements on investment properties held for sale) was recognised for the Group (2020/21 a net revaluation loss of £10.7m). Of this, a gain of £37.4m (2020/21 £72.6m) in relation to the initial valuation of newly created assets was recognised within other comprehensive income. The remaining £93.4m net gain (2020/21 £83.3m net loss) relating to movements in the valuation of assets already held at valuation has been reflected within financing income/expenditure.

Rental income earned in relation to investment properties is disclosed in note 1. Operating expenditure for the year in respect of investment properties totalled £39.8m for the Group (2020/21 £55.7m).

Information about the impact of changes in unobservable inputs (level 3) on the fair value of the Group's investment portfolio is set out in the table below.

All other factors being equal:

- A higher equivalent yield or discount rate would lead to a decrease in the valuation of an asset
- An increase in the current or estimated future rental stream would have the effect of increasing the capital value

However, there are interrelationships between the unobservable inputs which are partially determined by market conditions, which would impact on these changes.

15. Investment properties (continued)

Information about fair value measurements for the TfL Group using unobservable inputs (level 3) for the year ended 31 March 2022

		Estimated value £m Yield shift (0.5)%	% change from baseline Yield shift (0.5)%	Estimated value £m Yield shift (0.25)%	% change from baseline Yield shift (0.25)%	**Estimated value £m** **Yield shift 0.0%**	**% change from baseline** **Yield shift 0.0%**	Estimated value £m Yield shift 0.25%	% change from baseline Yield shift 0.25%	Estimated value £m Yield shift 0.5%	% change from baseline Yield shift 0.5%
	(10)%	1,774.0	3.55%	1,678.3	(2.04)%	1,593.3	(7.00)%	1,563.3	(8.75)%	1,473.4	(14.00)%
	(5)%	1,842.5	7.55%	1,742.3	1.70%	1,653.4	(3.49)%	1,622.2	(5.31)%	1,528.3	(10.79)%
Estimated rental value	0%	1,910.6	11.52%	1,805.7	5.40%	1,713.2	0.00%	1,681.3	(1.86)%	1,583.2	(7.59)%
	5%	1,978.6	15.49%	1,870.0	9.15%	1,773.8	3.54%	1,740.1	1.57%	1,637.8	(4.40)%
	10%	2,046.8	19.47%	1,933.7	12.87%	1,834.0	7.05%	1,799.2	5.02%	1,693.0	(1.18)%

The table above shows the sensitivity of the valuation of the investment property portfolio to a 5 or 10 per cent increase/(decrease) in estimated rental values, combined with a 0.5 or 0.25 per cent increase/(decrease) in yield from the baseline assumptions used to calculate the values as recorded in these accounts.

16. Investments in subsidiaries

Cost	Corporation 2022 £m	Corporation 2021 £m
At 1 April	**12,222.5**	11,562.5
Investments in year	**560.0**	660.0
At 31 March	**12,782.5**	12,222.5

During the year, the Corporation increased its investment in the ordinary share capital of Transport Trading Limited (TTL) by £560m (2020/21 £660.0m). TTL subsequently increased its investment in the ordinary share capital of Crossrail Limited by £560m.

The Group holds 100 per cent of the share capital of all subsidiaries. All companies listed in the table below, with the exception of London Transport Insurance (Guernsey) Limited, are registered in England and Wales; and their financial statements are lodged at Companies House and also at the Charity Commission for London Transport Museum Limited. London Transport Insurance (Guernsey) Limited is registered in Guernsey.

16. Investments in subsidiaries (continued)

The Group's subsidiaries are:

Subsidiaries	Principal activity
City Airport Rail Enterprises Limited	Dormant company
Crossrail 2 Limited	Dormant company
Crossrail Limited	Construction of Crossrail infrastructure
Docklands Light Railway Limited	Passenger transport by rail
London Bus Services Limited	Passenger transport by bus
London Buses Limited	Dial-a-Ride services
London Dial-a-Ride Limited	Dormant company
London River Services Limited	Pier operator
London Transport Insurance (Guernsey) Limited	Insurance
London Transport Museum (Trading) Limited	Trading company
London Transport Museum Limited	Charitable company
London Underground Limited	Passenger transport by underground train
LUL Nominee BCV Limited	Dormant company
LUL Nominee SSL Limited	Dormant company
Rail for London Limited	Passenger transport by rail
Rail for London (Infrastructure) Limited	Infrastructure manager for the Crossrail Central Operating Section
TfL Trustee Company Limited	Pension Fund Trustee
Tramtrack Croydon Limited	Passenger transport by light rail
Transport for London Finance Limited	Manages financial risk of the Group
Transport Trading Limited	Holding company
TTL Blackhorse Road Properties Limited	Holding company
TTL Build to Rent Limited	Holding company
TTL Earls Court Properties Limited	Holding company
TTL FCHB Properties Limited	Dormant company
TTL Kidbrooke Properties Limited	Holding company
TTL Landmark Court Properties Limited	Holding company
TTL Northwood Properties Limited	Dormant company
TTL Properties Limited	Property investment and development
TTL Southwark Properties Limited	Property investment
TTL South Kensington Properties Limited	Property investment
TTL Wembley Park Properties Limited	Dormant company
Tube Lines Limited	Maintenance of underground lines
Tube Lines Pension Scheme Trustees Limited	Pension Fund Trustee
Victoria Coach Station Limited	Coach station
Woolwich Arsenal Rail Enterprises Limited	Dormant company

17. Investment in joint ventures

Connected Living London (BTR) Limited

In 2019/20, the Group via its subsidiary, TTL Build to Rent Limited, acquired a 49 per cent interest in a joint arrangement called Connected Living London (BTR) Limited (CLL), which was set up as a partnership together with Grainger Plc, to fund the development of a major build to rent portfolio across London. The registered office address of CLL is Citygate, St James Boulevard, Newcastle Upon Tyne, Tyne & Wear, United Kingdom, NE1 4JE.

As the Group has joint control over the net assets and operations of its investment through equal representation on the board and equal voting rights, it has equity accounted for its investment as a joint venture in these consolidated financial statements. The financial year end of CLL is 30 September.

During 2021/22 the Group invested a further £2.8m in the equity of CLL (2020/21 £1.6m). Summarised financial information in respect of the Group's investment is set out below. Amounts presented are taken from unaudited management accounts made up to 31 March.

Balance Sheet of Connected Living London (BTR) Limited at the 100 per cent level

At 31 March	Group 2022 £m	Group 2021 £m
Long-term assets		
Investment property under construction	**17.9**	15.5
	17.9	15.5
Current assets		
Cash	**4.5**	3.2
Other short-term assets	**-**	0.2
	4.5	3.4
Current liabilities		
Other short-term liabilities	**(2.9)**	(1.8)
	(2.9)	(1.8)
Long-term liabilities		
Borrowings	**-**	-
Other long-term liabilities	**-**	-
	-	-

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

At 31 March	Group 2022 £m	Group 2021 £m
Net assets at 100%	**19.5**	17.1
Percentage held by the TfL Group	**49%**	49%
Carrying amount of the Group's equity interest in CLL	**9.6**	8.4

17. Investment in joint ventures (continued)

Group share of comprehensive income and expenditure of CLL

Year ended 31 March	Group 2022 £m	Group 2021 £m
Group share of loss from continuing operations	**(1.7)**	(0.4)
Group share of other comprehensive income	**-**	-
Total Group share of comprehensive income and expenditure for the year	**(1.7)**	(0.4)

The share of loss from continuing operations reflects administrative expenditure relating to the operations of the company.

b) Kidbrooke Partnership LLP

The Group, through its subsidiary, TTL Kidbrooke Properties Limited, holds a 49 per cent holding in the members' interest of Kidbrooke Partnership LLP (KP LLP), a property development partnership. Through a combination of its voting rights, Board representation and other rights embedded in the relevant management agreements, the Group is assessed as having joint control. The investment has therefore been accounted for as a joint venture using the equity method in these financial statements.

KP LLP has a 299 year lease over the land lying to the South East of Kidbrooke Park Road and is developing the site as a mixed use development incorporating affordable housing. The financial year end of KP LLP is 31 March.

During 2021/22 the Group had no additional investment in the equity of KP LLP (2020/21 £3.6m). Summarised financial information in respect of the Group's investment in KP LLP is set out below. Amounts presented are taken from unaudited management accounts made up to 28 February.

Balance Sheet of Kidbrooke Partnership LLP at the 100 per cent level

At 31 March	Group 2022 £m	Group 2021 £m
Current assets		
Cash	**8.9**	2.3
Other short-term assets	**31.0**	36.6
	39.9	38.9
Current liabilities		
Other short-term liabilities	**(2.5)**	(1.3)
	(2.5)	(1.3)

17. Investment in joint ventures (continued)

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

At 31 March	Group 2022 £m	Group 2021 £m
Net assets at 100%	37.4	37.6
Percentage held by the TfL Group	49%	49%
Carrying amount of the Group's equity interest in KP LLP	**18.3**	**18.4**

18. Investment in associates (continued)

Group share of comprehensive income and expenditure of Kidbrooke Partnership LLP

Year ended 31 March	Group 2022 £m	Group 2021 £m
Group share of loss from continuing operations	(0.1)	-
Group share of other comprehensive income	-	-
Total Group share of comprehensive income and expenditure for the year	**(0.1)**	-

c) Blackhorse Road Properties LLP

In 2019/20 the Group acquired a 49 per cent holding in the members' interest of Blackhorse Road Properties LLP (BRP LLP), a newly created property development partnership, for a cash consideration of £11.3m. The investment was purchased through a newly incorporated subsidiary of the Group, TTL Blackhorse Road Properties Limited. Through a combination of its voting rights, Board representation and other rights embedded in the relevant management agreements, the Group is assessed as having joint control. The investment has therefore been accounted for as a joint venture using the equity method.

During 2019/20, the Group granted a 999 year lease over land at Blackhorse Road to BRP LLP for a consideration of £15.9m. The financial year end of BRP LLP is 30 June.

Summarised financial information in respect of the Group's investment in BRP LLP is set out below. Amounts presented are taken from unaudited management accounts made up to 28 February.

17. Investment in joint ventures (continued)

Balance sheet of BRP LLP at the 100 per cent level

At 31 March	Group 2022 £m	Group 2021 £m
Current assets		
Cash	**21.3**	9.4
Other short-term assets	**21.5**	28.8
	42.8	38.2
Current liabilities		
Other short-term liabilities	**(8.2)**	(8.7)
	(8.2)	(8.7)

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

At 31 March	Group 2022 £m	Group 2021 £m
Net assets at 100%	**34.6**	29.5
Percentage held by the TfL Group	**49%**	49%
Carrying amount of the Group's equity interest in BRP LLP	**17.0**	14.5

Group share of comprehensive income and expenditure of BRP LLP

Year ended 31 March	Group 2022 £m	Group 2021 £m
Group share of profit from continuing operations	**7.3**	1.1
Group share of other comprehensive income	**-**	-
Total Group share of comprehensive income and expenditure for the year	**7.3**	1.1

d) Landmark Court Partnership Limited

In 2021/22 the Group acquired a 49 per cent holding in the members' interest of Landmark Court Partnership Limited (LCP Limited), a newly created property development partnership, for a cash consideration of £1. The investment was purchased through a newly incorporated subsidiary of the Group, TTL Landmark Court Properties Limited. Through a combination of its voting rights, Board representation and other rights embedded in the relevant management agreements, the Group is assessed as having joint control. The investment has therefore been accounted for as a joint venture using the equity method.

During 2021/22, the Group granted a 299 year lease over land at Liberty, Southwark site, at 15-33 Southwark Street to LCP Limited for a consideration of £41.8m. The financial year end of LCP Limited is 31 March.

Summarised financial information in respect of the Group's investment in LCP Limited is set out below. Amounts presented are taken from unaudited management accounts made up to 31 March.

17. Investment in joint ventures (continued)

Balance sheet of LMCP Limited at the 100 per cent level

At 31 March	Group 2022 £m	Group 2021 £m
Current assets		
Cash	1.3	-
Other short-term assets	46.5	-
	47.8	-
Current liabilities		
Other short-term liabilities	(38.2)	-
	(38.2)	-

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

At 31 March	Group 2022 £m	Group 2021 £m
Net assets at 100%	9.6	-
Percentage held by the TfL Group	49%	-
Net assets at 49%	4.7	-
Adjustment for distribution of land receipt*	(2.3)	
Carrying amount of the Group's equity interest in LMCP Limited	2.4	-

* Available profits in relation to the land receipt are distributed at 25% to TTL Landmark Court Properties Limited

Group share of comprehensive income and expenditure of LMCP Limited

Year ended 31 March	Group 2022 £m	Group 2021 £m
Group share of profit from continuing operations adjusted for distribution of land receipt	2.4	-
Group share of other comprehensive income	-	-
Total Group share of comprehensive income and expenditure for the year	2.4	-

18. Investment in associated undertakings

a) Earls Court Partnership Limited

The Group holds a 37 per cent holding in the ownership and voting rights of Earls Court Partnership Limited (ECP), a property development company incorporated in England and Wales. Through its voting rights and representation on the Board of Directors of ECP, the Group has significant influence but not control over the relevant activities of ECP. The Group's investment is therefore accounted for using the equity method in these consolidated accounts.

The Group has invested share capital and non-interest bearing loans into ECP. The loan notes are non-interest bearing and have no fixed repayment date. They have therefore been treated in these financial statements as an investment in the equity of ECP. As at 31 March 2022 the Group had invested £44.4m (2021 £44.4m) in share capital and a further £423m (2021 £416.2m) in loan notes.

The financial year end of ECP is 31 December. For the purposes of applying the equity method of accounting, the financial statements of ECP for the year ended 31 December have been used. There were no material movements in net income/expenditure or in the net assets of ECP between 31 December 2021 and 31 March 2022.

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

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

At 31 December	Group 2020 £m	Group 2019 £m
Current assets	**8.1**	6.9
Long-term assets	**596.0**	516.2
Current liabilities	**(1.7)**	(1.8)
Long-term liabilities	**(74.7)**	(73.4)

Included within current assets above at 31 December 2021 is £6.4m of cash (2020 £5.7m). Long-term liabilities represent third-party borrowings.

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

	Group 2022 £m	Group 2021 £m
Net assets at 100% at 31 December	**527.7**	447.9
Percentage held by the TfL Group	**37%**	37%
TfL Group share of net assets at 31 December	**195.3**	165.7
Investment in equity loan notes between 31 December and 31 March	**2.2**	1.2
Carrying amount of the Group's equity interest in Earls Court Partnership Limited at 31 March	**197.5**	166.9

18. Investment in associated undertakings (continued)

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

Year ended 31 March	Group 2022 £m	Group 2021 £m
Group share of loss from continuing operations	**24.0**	(3.5)
Group share of other comprehensive income	**-**	-
Total Group share of comprehensive income and expenditure for the year	**24.0**	(3.5)

The share of profit from continuing operations primarily reflects fair value gains recognised in respect of the revaluation of the Earl's Court development site.

19. Finance lease receivables

Group finance lease receivables

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

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

As at 31 March	2022 £m	2021 £m
Principal outstanding		
Short-term	13.8	15.4
Long-term	23.2	28.6
	37.0	44.0

	2022 £m	2021 £m
Principal outstanding		
At 1 April	44.0	52.7
Additions	8.7	7.0
Interest	(1.9)	2.6
Repayments	(13.8)	(18.3)
	37.0	44.0

At 31 March	2022 £m	2021 £m
Minimum cash receipts in:		
Not later than one year	14.7	17.2
Later than one year but not later than five years	23.7	29.7
	38.4	46.9
Less unearned finance income	(1.4)	(2.9)
	37.0	44.0

20. Inventories

As at 31 March	Group 2022 £m	Group 2021 £m
Raw materials and consumables	**57.3**	50.7
Goods held for resale	**0.8**	0.8
	58.1	51.5

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 2022 or 31 March 2021.

The movement on inventories was as follows:

	Group £m
Balance at 1 April 2020	58.9
Purchases in the year	50.4
Recognised as an expense in the year:	
Consumed/sold in the year	(54.9)
Net write offs in the year	(2.8)
Balance at 31 March 2021	51.5
Purchases in the year	**78.0**
Recognised as an expense in the year:	
Consumed in the year	**(70.1)**
Goods sold in the year	**(1.2)**
Net write offs in the year	**(0.1)**
Balance at 31 March 2022	**58.1**

21. Debtors

At 31 March	Group 2022 £m	Group 2021 £m
Short-term		
Trade debtors	**133.7**	140.3
Capital debtors	**55.3**	5.5
Other debtors	**28.0**	76.7
Other tax and social security	**62.4**	58.8
Grant debtors	**48.2**	68.5
Interest debtors	**2.6**	1.2
Contract assets: accrued income	**40.6**	35.7
Prepayments for goods and services	**152.9**	106.4
	523.7	493.1
Long-term		
Other debtors	**45.1**	17.4
Prepayments for goods and services	**27.1**	34.8
	72.2	52.2

Trade debtors are non-interest bearing and are generally paid within 28 days.

As at 31 March 2021, £607.8m (2021 £488.4m) was recognised as a provision for expected credit losses on trade and other debtors (see note 34).

Contract asset balances represent accrued income recognised where balances have not yet been invoiced to the customer. Upon completion of the terms of the contract and agreement with the customer/third party contributor, the amounts recognised as contract assets are reclassified to trade debtors.

21. Debtors (continued)

At 31 March	Corporation 2022 £m	Corporation 2021 £m
Short-term		
Trade debtors	**51.5**	30.4
Amounts due from subsidiary companies	**128.7**	297.8
Capital debtors	**0.5**	0.6
Other debtors	**7.3**	48.9
Other tax and social security	**10.8**	7.6
Grant debtors	**30.4**	17.4
Interest debtors	**0.2**	-
Contract assets: accrued income	**11.5**	13.0
Prepayments for goods and services	**22.0**	24.2
	262.9	439.9
Long-term		
Loans made to subsidiary companies	**12,325.9**	12,251.9
Other debtors	**26.4**	-
Prepayments for goods and services	**8.6**	7.6
	12,360.9	12,259.5

Trade debtors are non-interest bearing and are generally paid within 28 days. In 2021, £580.2m (2021 £457.9m) was recognised as a provision for expected credit losses on trade debtors (see note 34).

Contract assets balances represent accrued income recognised where balances have not yet been invoiced to the customer. Upon completion of the terms of the contract, the amounts recognised as contract assets are reclassified to trade debtors.

Long-term loans made to subsidiary companies are interest-bearing loans, primarily representing the pass-down of external third-party borrowings to the subsidiaries that hold the assets which have been funded by that borrowing. These loans accrue market rates of interest reflecting rates achieved on debt issued to third parties by the Corporation. The average rate of interest accruing on loans outstanding at 31 March 2022 was 3.2 per cent (2021 3.3 per cent).

22. Assets held for sale

	Note	Group £m	Corporation £m
Balance at 1 April 2020		113.4	19.1
Net assets transferred from held for sale to investment property			
Investment properties	15	(19.7)	(1.0)
Revaluation gains/(losses)			
Investment properties		2.1	(0.4)
Disposals			
Investment properties		(0.3)	(0.2)
Balance at 31 March 2021		95.5	17.5
Assets newly classified as held for sale			
Property, plant and equipment	13	**83.4**	**-**
Investment properties	15	**6.8**	**0.7**
Net assets transferred from held for sale to investment property			
Investment properties	15	**(16.0)**	**(27.3)**
Revaluation gains/(losses)			
Investment properties		**17.4**	**21.3**
Disposals			
Investment properties		**(26.2)**	**(0.1)**
Balance at 31 March 2022		**160.9**	**12.1**

As at 31 March 2022, certain development sites and surplus land were being actively marketed for sale. Disposals are expected to complete within the next 12 months, or, where agreements to sell have already been put in place, in line with the timing of those agreements.

23. Other investments

At 31 March	Group 2022 £m	Group 2021 £m
Short-term		
Investments held at amortised cost	**19.0**	19.0

At 31 March	Corporation 2022 £m	Corporation 2021 £m
Short-term		
Investments held at amortised cost	**-**	-

Short-term investments comprise fixed deposits, UK treasury bills and other tradeable instruments with a maturity of greater than three but less than 12 months.

24. Cash and cash equivalents

At 31 March	Group 2022 £m	Group 2021 £m
Cash at bank	**201.6**	126.5
Short-term investments with a maturity of less than three months	**1,177.6**	1,575.8
Cash in hand and in transit	**11.0**	7.9
	1,390.2	1,710.2

At 31 March	Corporation 2022 £m	Corporation 2021 £m
Cash at bank	**54.2**	52.6
Short-term investments with a maturity of less than three months	**1,177.6**	1,575.8
	1,231.8	1,628.4

Short-term investments comprise fixed deposits, UK treasury bills, repo and other tradeable instruments. These are classified as cash and cash equivalents as they have a maturity of less than three months.

25. Creditors

a) Group creditors at 31 March comprised:

	Group 2022 £m	Group 2021 £m
Short-term		
Trade creditors	**208.6**	164.7
Accrued interest	**111.2**	111.7
Capital works	**555.6**	656.3
Retentions on capital contracts	**5.6**	9.4
Capital grants received in advance	**40.1**	32.2
Wages and salaries	**122.3**	136.9
Other taxation and social security creditors	**47.5**	49.3
Contract liabilities: receipts in advance for Travelcards, bus passes and Oyster cards	**120.9**	217.7
Contract liabilities representing other deferred income	**59.1**	48.3
Accruals and other payables	**576.0**	651.4
	1,846.9	2,077.9
Long-term		
Capital grants received in advance	**10.5**	11.1
Retentions on capital contracts	**(0.1)**	3.9
Contract liabilities representing other deferred income	**29.1**	29.7
Accruals and other payables	**42.8**	12.0
	82.3	56.7

25. Creditors (continued)

The level of outstanding long-term liabilities as at 31 March 2022 are broadly consistent with the prior year.

The performance obligations related to deferred income balances recorded as at 31 March 2022, which are expected to be met in more than one year, relate to:

i. License revenue and funding received from developers for improvements to bus services, which together total £21.5m (2021 £21.6m), of which £nil, (2021 £nil) relates to obligations that are due to be satisfied withing one to two years, £8.2m (2021 £13.1m) relates to obligations that are to be satisfied within two to three years, and £6.9m (2021 £4.7m) within five years and £6.4m (2021 £3.8) over five years

ii. Maintenance income of £7.5m (2021 £6.4m) expected to be released over 30 years

iii. Other miscellaneous contracts, together totalling £0.1m (2021 £1.6m)

Set out below is the amount of revenue recognised by the Group during the year from:

Year ended 31 March	Group 2022 £m	Group 2021 £m
Amounts included in contract liabilities at 1 April	**163.0**	213.0
Performance obligations satisfied in previous years	**-**	-

Notes to the Financial Statements

25. Creditors (continued)

b) Corporation creditors at 31 March comprised:

At 31 March	Corporation 2022 £m	Corporation 2021 £m
Short-term		
Trade creditors	**56.0**	44.6
Accrued interest	**111.1**	109.3
Capital works	**91.3**	127.9
Retentions on capital contracts	**-**	1.8
Capital grants received in advance	**30.1**	14.2
Amounts due to subsidiary companies	**46.3**	278.0
Wages and salaries	**20.5**	37.2
Other taxation and social security creditors	**0.7**	2.8
Contract liabilities representing other deferred income	**23.7**	16.0
Accruals and other payables	**178.4**	275.2
	558.1	907.0
Long-term		
Capital grants received in advance	**7.7**	8.3
Retentions on capital contracts	**(0.1)**	-
Contract liabilities representing other deferred income	**16.7**	16.3
Accruals and other payables	**30.1**	-
	54.4	24.6

Total long-term contract liabilities balances in the Corporation are broadly consistent with the prior year.

At 31 March 2022, the significant balance of remaining performance obligations in relation to contract liabilities expected to be recognised in more than one year represents deferred license revenue totalling £9.2m (2021 £9.8m), of which £8.9m is expected to be satisfied within five years (2021 £9.8m) and £0.3m (2021 £nil) over five years. Maintenance income of £7.5m (2021 £6.4m) is expected to be released over 30 years. Balances relating to other miscellaneous contracts totalled £nil (2021 £0.1m).

Set out below is the amount of revenue recognised during the year from:

Year ended 31 March	Corporation 2022 £m	Corporation 2021 £m
Amounts included in contract liabilities at 1 April	**11.9**	14.9
Performance obligations satisfied in previous years	**-**	-

26. Borrowings and overdrafts

At 31 March	Group 2022 £m	Group 2021 £m
Short-term		
Borrowings	**1,423.0**	1,198.1
Long-term		
Borrowings	**11,543.3**	11,769.7

At 31 March	Corporation 2022 £m	Corporation 2021 £m
Short-term		
Borrowings	**1,423.0**	1,198.1
Long-term		
Borrowings	**11,547.3**	11,774.1

Further information about the maturity and interest rate profiles of the Group and Corporation's borrowings is provided in note 34 (Funding and financial risk management).

We have direct access to the UK Debt Management Office (DMO) via the Public Works Loan Board (PWLB) and a £2bn Commercial Paper programme in place, with both sources utilised throughout the financial year to manage liquidity requirements. Additionally, we have a £750m loan facility, with the DfT, ringfenced for the purposes of the Crossrail project and the final instalment of £74m was drawn during the year.

26. Borrowings and overdrafts (continued)

Changes in liabilities arising from financing activities

	Group 2022 £m	Group 2021 £m
Balance at 1 April		
Short-term	**1,543.5**	1,272.1
Long-term	**14,179.3**	13,095.4
	15,722.8	14,367.5
Right-of-use lease liabilities recognised on the implementation of IFRS 16	**-**	-
Borrowings drawn down	**801.9**	1,541.0
Net (repayment of)/additions to other financing liabilities	**(6.2)**	(1.7)
Repayment of borrowings	**(803.7)**	(263.6)
Repayment of PFI liabilities	**(10.0)**	(13.9)
Repayment of right-of-use lease liabilities	**(314.8)**	(295.4)
Non-cash increase in right-of-use lease liabilities	**242.0**	387.5
Other movements *	**0.3**	1.4
At 31 March	**15,632.3**	15,722.8
Short-term	**1,774.1**	1,543.5
Long-term	**13,858.2**	14,179.3
	15,632.3	15,722.8

* Other movements are non-cash and relate to the unwind of discounts and fees.

Notes to the Financial Statements

26. Borrowings and overdrafts (continued)

Changes in liabilities arising from financing activities

	Corporation 2022 £m	Corporation 2021 £m
Balance at 1 April		
Short-term	**1,234.4**	971.2
Long-term	**12,262.5**	11,282.3
	13,496.9	12,253.5
Borrowings drawn down	**74.0**	1,541.0
Repayment of borrowings	**(75.9)**	(263.6)
Repayment of PFI lease liabilities	**(9.6)**	(9.0)
Repayment of right-of-use lease liabilities	**(26.4)**	(26.0)
Non-cash increase in right-of-use-lease liabilities	**7.0**	0.2
Other movements *	**-**	0.8
At 31 March	**13,466.0**	13,496.9
Short-term	**1,460.6**	1,234.4
Long-term	**12,005.4**	12,262.5
	13,466.0	13,496.9

* Other movements are non-cash and relate to the unwind of discounts and fees.

27. Private finance initiative contracts

Private Finance Initiative contracts

The Group is party to the following PFI arrangements where the Group controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement. These arrangements are treated as service concession arrangements and, as stipulated by the Code, are accounted for in accordance with IPSAS 32 Service Concession Arrangements – Grantor (IPSAS 32).

The Group therefore recognises PFI assets as items of plant, property and equipment together with a liability to pay for them (see note 13 for details of PFI assets). The fair values of services received under the contract are recorded as operating expenses.

The unitary charge is apportioned between the repayment of the liability, financing costs and charges for services. The service is recognised as an expense in net operating costs and the finance costs are charged to financial expenses in the Comprehensive Income and Expenditure Statement.

Contract	Contract dates	Description
TfL		
A13 Thames Gateway contract	2000 to 2030	Design and construction of improvements to the A13 infrastructure (including communication and traffic signals systems) and ongoing maintenance and operation of the A13 between Butcher Row and Wennington. The contract requires TfL to make an annual unitary payment, charged monthly and calculated according to the service provided by the concession company and the payment mechanisms defined in the contract.

27. Private finance initiative contracts (continued)

Contract	Contract dates	Description
London Underground Limited (LU)		
British Transport Police (London Underground)	1999 to 2022	Provision and ongoing management and maintenance of operational infrastructure to support efficient policing of the Jubilee Line Extension and the delivery of the long-term policing strategy for LU. The contract requires LU to make a base annual unitary payment which is adjusted for indexation and performance as specified in the contract. The contract expired in March 2022.

27. Private finance initiative contracts (continued)

PFI finance lease liabilities

	Group 2022 £m	Group 2021 £m	Corporation 2022 £m	Corporation 2021 £m
At 1 April	**111.6**	125.5	**111.2**	120.2
Payments	**(14.9)**	(19.4)	**(14.4)**	(14.2)
Interest	**4.9**	5.5	**4.8**	5.2
At 31 March	**101.6**	111.6	**101.6**	111.2

Group

Amounts payable under the PFI arrangements cover payments for repayment of capital, payments of interest and payment of service charges. The total amount payable breaks down as follows:

	Payments of interest £m	Repayment of capital £m	Payments for service charges £m	Total amount payable under non-cancellable PFI arrangements £m
At 31 March 2022				
Less than 1 year	**4.4**	**10.6**	**34.3**	**49.3**
Between 1 and 5 years	**11.9**	**64.7**	**127.6**	**204.2**
Between 6 and 10 years	**1.9**	**26.3**	**76.0**	**104.2**
	18.2	**101.6**	**237.9**	**357.7**
At 31 March 2021				
Less than 1 year	4.8	9.9	29.3	44.0
Between 1 and 5 years	14.4	55.9	128.2	198.5
Between 6 and 10 years	3.9	45.8	110.3	160.0
	23.1	111.6	267.8	402.5

27. 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 2022				
Less than 1 year	**4.4**	**10.6**	**34.3**	**49.3**
Between 1 and 5 years	**11.9**	**64.7**	**127.6**	**204.2**
Between 6 and 10 years	**1.9**	**26.3**	**76.0**	**104.2**
	18.2	**101.6**	**237.9**	**357.7**
At 31 March 2021				
Less than 1 year	4.8	9.6	25.1	39.5
Between 1 and 5 years	14.4	55.8	127.5	197.7
Between 6 and 10 years	3.9	45.8	110.3	160.0
	23.1	111.2	262.9	397.2

28. Other financing liabilities

Group other financing liabilities at 31 March comprised:

	Group 2022 £m	Group 2021 £m
Short-term		
Deferred capital payments	**6.4**	6.2
Long-term		
Deferred capital payments	**121.7**	128.1

Other financing liabilities comprise deferred capital payments in respect of the acquisition of property, plant and equipment. Gross payments with a nominal value of £151.7m (2021 £162.1m) fall due over the period to March 2033. These have been discounted back at an effective rate of interest of 3.2 per cent (2021 3.2 per cent) to the present value recorded in the table above.

29. Provisions

a) Group provisions

	At 1 April 2021 £m	Payments in the year £m	Charge for the year £m	Releases in the year £m	At 31 March 2022 £m
Compensation and contractual	71.9	(7.2)	15.0	(9.3)	**70.4**
Capital investment activities	66.5	(8.0)	-	-	**58.5**
Environmental harm	1.4	-	5.3	1.1	**7.8**
Severance and other	30.2	(13.5)	33.4	(0.9)	**49.2**
	170.0	(28.7)	53.7	(9.1)	**185.9**

At 31 March	**2022 £m**	2021 £m
Due		
Short-term	**99.3**	109.1
Long-term	**86.6**	60.9
	185.9	170.0

b) Corporation provisions

	At 1 April 2021 £m	Payments in the year £m	Charge for the year £m	Releases in the year £m	At 31 March 2022 £m
Compensation and contractual	18.2	(2.8)	1.4	(0.4)	**16.4**
Capital investment activities	66.7	(8.0)	-	-	**58.7**
Severance and other	9.6	(6.2)	22.3	(6.5)	**19.2**
	94.5	(17.0)	23.7	(6.9)	**94.3**

At 31 March	**2022 £m**	2021 £m
Due		
Short-term	**53.3**	64.9
Long-term	**41.0**	29.6
	94.3	94.5

29. 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 as at 31 March are based on management's best estimate at the Balance Sheet date of the likely loss to be incurred through settlement. Reflecting the inherent uncertainty with many legal proceedings and claim settlements, the timing and amount of the outflows could differ from the amount provided. Based on current estimates management expects that these amounts, which are based on known facts and take account of past experience for similar items, will be settled within the next one to five years. Where material the provision held is discounted to its present value.

Capital investment activities

Capital investment activities include compulsory purchases, claims in respect of structural damage or diminution in value of properties affected by transport schemes, and other related third-party claims. Estimates are made with reference to relevant market trends. Compulsory Purchase Order provision amounts have been based on the professional estimates of lawyers and surveyors of the land acquisition, development value, disturbance, statutory interest and professional fees for both sides of the negotiation on a case by case basis. Due to the nature of these liabilities and the need to negotiate settlement amounts, there is considerable uncertainty regarding when Compulsory Purchase Order cases will be settled and payments made. At present management expects these provisions to be settled within the next five years.

Environmental harm

Environmental harm relates to potential costs associated with damage to the environment as a result of actions taken in the past. Management expects this provision to be settled within the next five years.

Severance and other

Severance and other provisions include voluntary severance costs arising from reorganisations and other smaller claims. Management expects these provisions to be settled within the next year.

30. Derivative financial instruments

Group derivatives in cash flow hedge relationships

At 31 March	Fair value 2022 £m	Notional amount 2022 £m	Fair value 2021 £m	Notional amount 2021 £m
Long-term assets				
Interest rate swaps	**13.0**	**215.6**	-	-
Foreign currency forward contracts	**0.2**	**5.8**	0.2	19.7
	13.2	**221.4**	0.2	19.7
Current assets				
Foreign currency forward contracts	**1.4**	**23.8**	6.5	229.1
	1.4	**23.8**	6.5	229.1
Current liabilities				
Interest rate swaps	**-**	**-**	(1.2)	75.0
Foreign currency forward contracts	**(6.5)**	**296.2**	(10.8)	165.7
	(6.5)	**296.2**	(12.0)	240.7
Long-term liabilities				
Interest rate swaps	**-**		(29.6)	336.9
Foreign currency forward contracts	**(14.2)**	**203.4**	(17.7)	271.5
	(14.2)	**203.4**	(47.3)	608.4

The Corporation has not entered into any derivative financial instrument contracts. Further detail on the Group's derivative instruments is set out in note 34.

31. Contingencies

There are a number of uncertainties surrounding projects, including claims in the course of negotiations, which may affect the Group's financial performance. Where claims are possible but not probable, or are unquantifiable, such claims are treated as contingent liabilities. Contingent liabilities are not recognised in the financial statements, but are monitored to ensure that, where a possible obligation has become probable or a transfer of economic benefits has become probable, a provision is made.

The impact of these contingent liabilities on the Group's financial performance, liquidity or financial position is not considered to be material.

32. Guarantees

Section 160 of the GLA Act 1999 sets out the conditions under which the Corporation may give certain guarantees, indemnities or similar arrangements. Under section 161 of the GLA Act 1999 TfL is obliged to disclose in its Annual Report details of all guarantees etc. so given.

TfL and its subsidiaries have entered into joint and several guarantees in favour of HSBC Bank plc as security for any bank indebtedness outstanding from time to time. TfL has also separately guaranteed any liabilities owing to HSBC Bank plc by its subsidiary, Crossrail Limited.

The Corporation has given guarantees in respect of some of its subsidiary companies' contracts. The amount that could be payable under the guarantees (as described below) varies depending on a number of factors, including, inter alia, responsibility for the costs arising from an early termination of the underlying contract, which are not known before the event. For information only, the approximate maximum amounts of debt that were envisaged to be drawn by the counterparty at the signing of the agreements are disclosed below. For the avoidance of doubt, these amounts do not represent the amounts that could be payable by TfL under the guarantees but are shown here to give an indication of the relative size of each contract.

	Estimated maximum debt drawn by counterparty at start of contract £m
Agreement with 345 Rail Leasing Limited	1,050
Agreements with QW Rail Leasing Ltd	380
Agreement with London Rail Leasing Ltd	350
Agreement with Lloyds Bank PLC	109
Agreement with Pittville Leasing Ltd	51
Agreement with Lombard North Central Plc	7

In addition, TfL also guarantees the payments of certain of its subsidiaries under a number of other service and construction contracts. It has guaranteed amounts owed by London Bus Services Limited to the Fuel Cells and Hydrogen Joint Undertaking under a Grant agreement for the 3EMOTION Environmentally Friendly, Efficient Electric Motion project. It has guaranteed London Underground Limited's payment obligations as a tenant in respect of an operating lease for the Stratford City Business District. It has also provided an indemnity to Berkeley 55 Limited in respect of future Mayoral CIL payments that Berkeley 55 Limited may be charged in relation to the fit out of the Crossrail station at Woolwich.

32. Guarantees (continued)

Unlike the agreements listed above, these contracts are not based on an initial amount of debt and so cannot be quantified in a similar manner.

TfL also acts as a guarantor in respect of all liabilities under third party derivative contracts entered into by its subsidiary, Transport for London Finance Limited. The fair value of net liabilities outstanding under derivative contracts at 31 March 2022 is £6.1m (2021 £52.6m).

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 2022 the fair value of all financial guarantees granted has been recorded as £nil (2021 £nil).

33. Financial commitments

Operating leases – The Group and Corporation as lessor

The Group and Corporation lease out commercial, retail and office property, and land that they hold as a result of their infrastructure holdings.

At the Balance Sheet date, the Group and Corporation had contracted with customers for the following future minimum lease payments:

Land and buildings	Group £m	Corporation £m
At 31 March 2022		
Within one year	**59.3**	**1.0**
Between one and two years	**52.6**	**1.0**
Between two and five years	**109.7**	**2.1**
Later than five years	**624.2**	**11.1**
	845.8	**15.2**
At 31 March 2021		
Within one year	57.3	0.7
Between one and two years	52.1	0.7
Between two and five years	111.4	1.7
Later than five years	617.8	4.9
	838.6	8.0

34. Funding and financial risk management

Introduction

TfL is a statutory corporation established under the GLA Act 1999. TfL is funded by revenues, grant and prudential borrowing. The Group's debt is issued by the statutory corporation, Transport for London, in the form of loans from the PWLB, the EIB and EDC, Medium Term Notes under the £5bn TfL Euro Medium Term Note programme, and short-term Commercial Paper under the £2bn TfL Euro Commercial Paper programme.

Treasury Management

TfL has a Treasury Management Strategy which is required to be updated on at least an annual basis. The Treasury Management Strategy for 2021/22 was prepared having regard to the Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting) Regulations 2003 (as amended), the key recommendations of the Code of Practice and Cross-Sectoral Guidance Notes for Treasury Management in the Public Services (2017 Edition) (the Treasury Management Code) and the Prudential Code for Capital Finance in Local Authorities (2017 Edition) (the Prudential Code), both issued by CIPFA, as well as the key recommendations of the Statutory Guidance on Local Authority Investments (2018 Edition) issued by the Ministry for Housing, Communities and local Government (the Investment Guidance). The strategy was approved by the TfL Finance Committee (a sub-committee of the TfL Board) prior to the commencement of the financial year.

The Group's principal financial instruments comprise borrowings, investments, derivatives, lease liabilities and receivables, PFI liabilities and cash and cash equivalents. These financial instruments are used to manage funding and liquidity requirements. Other financial instruments that arise directly from the Group's operations include trade receivables and payables and other financing liabilities.

The Group monitors the risk profile of its borrowing, investment and derivative programmes against approved benchmarks and provides regular reports to the Chief Finance Officer. Semi-annual reports on overall performance against the approved strategy are considered by the Finance Committee. 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.

34. 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, approves and monitors the risk management processes, including documented treasury policies, counterparty limits, and controlling and reporting structures.

Credit risk

Credit risk is managed on a Group-wide basis. Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet contractual obligations. The following categories comprise the main credit exposures of the Group:

34. 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 21.

A significant portion of the financial assets arising in the Corporation are with other Group companies. Per note 32, the Corporation has granted guarantees in respect of the obligations of its subsidiaries, mitigating credit risk attached to settlement of these intercompany financial assets.

Customer credit risk is managed by a central credit control function subject to TfL's policy, procedures and control framework. Counterparties are assessed individually for their creditworthiness at the time of entering into contracts and an internal credit rating is assigned.

At each reporting date, the Group applies the IFRS 9 simplified approach to measuring expected credit losses. This approach uses a lifetime expected loss allowance for all trade receivables and contract assets. In determining the expected loss rates, trade receivables and contract assets are considered together based on shared credit risk characteristics. Historical loss rates over the short to medium term are applied to groupings of various customer segments within trade receivables and contract assets. These rates are adjusted to reflect expectations about future credit losses. There is a rebuttable presumption that default has occurred if assets are more than 90 days past due.

Despite the application of a loss allowance, these balances remain subject to enforcement activity and recoveries will be credited against the same line item as the expected credit loss within operating profit. On that basis, the loss allowance as at 31 March 2022 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 2022						
Expected credit loss rate	**0.1%**	**64.1%**	**90.0%**	**97.6%**	**99.1%**	**59.4%**
Estimated total gross carrying amount at default	**364.5**	**105.5**	**83.0**	**107.0**	**363.7**	**1,023.7**
Expected credit loss allowance	**(0.5)**	**(67.6)**	**(74.7)**	**(104.4)**	**(360.6)**	**(607.8)**
At 31 March 2021						
Expected credit loss rate	0.7%	36.1%	87.8%	94.4%	99.0%	54.7%
Estimated total gross carrying amount at default	340.6	82.3	43.3	84.4	341.9	892.5
Expected credit loss allowance	(2.5)	(29.7)	(38.0)	(79.7)	(338.5)	(488.4)

34. 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 2022						
Expected credit loss rate	**-**	**64.1%**	**91.0%**	**98.1%**	**99.3%**	**4.4%**
Estimated total gross carrying amount at default	**12,549.2**	**90.3**	**79.2**	**100.1**	**354.6**	**13,173.4**
Expected credit loss allowance	**-**	**(57.9)**	**(72.1)**	**(98.2)**	**(352.0)**	**(580.2)**
At 31 March 2021						
Expected credit loss rate	-	58.9%	87.9%	98.0%	99.4%	3.5%
Estimated total gross carrying amount at default	12,645.0	35.8	36.5	73.5	334.7	13,125.5
Expected credit loss allowance	-	(21.1)	(32.1)	(72.0)	(332.7)	(457.9)

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there may be no reasonable expectation of recovery include, amongst other things; failure of a debtor to engage in a repayment plan or advice from TfL's legal department. TfL has a statutory duty to maximise recovery of charges and fees, including road user charges.

(ii) Investments

All cash balances are invested in accordance with TfL's Treasury Management Strategy, which was developed with regard to the Treasury Management Code and the Investment Guidance, and which requires a prudent approach to the investment of surplus funds with priority given to security and liquidity.

Throughout 2021/22 investments were made within limits approved by the Finance Committee. Counterparty limits are set according to the assessed risk of each counterparty and are linked to the credit rating of the institution. Exposures are monitored against these limits on a regular basis.

TfL considers the risk of the overall portfolio as well as individual investments, seeking to diversify its investments and has regard to the exposure to any one counterparty, country, industry, investment type and credit. The investment portfolio is allocated across sovereigns, government agencies, financial institutions, corporates and money market funds.

Certain banks hold collateral on TfL's account to provide security for TfL's reverse repurchase agreement investments. As at 31 March 2022, the fair value of the collateral held amounted to £100m (2021 £200m).

The centrally managed cash reserves at 31 March 2022 totalled £1,177.7m (2021 £1,575.8m).

34. Funding and financial risk management (continued)

As at 31 March, principal funds managed centrally on behalf of the Group and placed on deposit by the Corporation were as follows:

	Amount £m	Minimum Credit Rating (S&P/ Moody's/ Fitch)	Weighted average days to maturity
At 31 March 2022			
UK Debt Management Office	**286.1**	**P-1/A-1+/F1+**	**41**
Other Government Agencies	**179.1**	**P-1/A-1+/F1+**	**52**
Money Market Funds	**267.5**	**AAA/AAA/AAA**	**1**
Banks (including Gilt backed repos)	**402.8**	**P-1/A-1/F1**	**33**
Corporates	**42.2**	**P-1/A-1+/F1**	**48**
Total	**1,177.7**		**31**
At 31 March 2021			
UK Debt Management Office	388.0	P-1/A-/1+	45
Other Government Agencies	201.2	P-1/A-1+/F1+	43
Money Market Funds	374.7	AAA/AAA/AAA	1
Banks (including Gilt backed repos)	526.7	P-1/A-1+/F1+	33
Corporates	85.2	P-1/A-1/F1	8
Total	1,575.8		29

All of the entity's cash and investments are considered to have low credit risk; they are highly rated by major rating agencies, have a low risk of default and the counterparties have a strong capacity to meet obligations in the near term. While low risk, these remain subject to the impairment requirements of IFRS 9 at each reporting date. The identified 12 month expected loss allowance at 31 March 2022 and as at 31 March 2021 was immaterial.

34. 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 was approved by the TfL Finance Committee. The Group spreads its exposure over a number of counterparties and has strict policies on how much exposure can be assigned to each counterparty.

The Group's maximum credit risk exposure relating to financial derivative instruments is noted in the maturity profile of derivatives tables within the market risk section of this note. The credit risk with regard to financial derivative instruments is limited because TfL has arrangements in place with each bank wherein, should the derivative be in an asset position for TfL and the market value reaches a contractually defined threshold, TfL can call upon the bank to post collateral in cash or eligible securities. TfL only envisages using these rights in the event that the financial strength of the institution has deteriorated since the limits were approved.

(iv) Guarantees

The Corporation provides guarantees to third parties under section 160 of the GLA Act, as disclosed in note 32, which are deemed necessary for the fulfilment of its policies. The Group's policy is to recognise financial guarantees at the higher of an expected credit loss allowance and the amount initially recognised as fair value less any amortisation that has occurred to date. As at 31 March 2022, the fair value of the Corporation's financial guarantees has been assessed as £nil (2021 £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.

34. Funding and financial risk management (continued)

For the years ended 31 March 2022 and 2021 all derivatives in designated hedge relationships were assessed as highly effective and no ineffectiveness was recognised. Accordingly, the full movement in the fair value of those derivatives was taken to reserves.

(i) Foreign exchange risk

During 2021/22, TfL held certain short-term investments denominated in Euros. These foreign currency denominated investments were swapped back to GBP through the use of forward foreign exchange contracts. These contracts were not in formally designated hedging relationships for accounting purposes, as the currency gain or loss on retranslation of the investments is offset within net cost of services at the Group level by the movement in the fair value of the derivative instruments. As at 31 March 2022, the Group held foreign exchange contracts to hedge €283.3m future Euro receipts in relation to its Euro investments (2021 €215.0m). Throughout the year, the hedging strategy provided an effective offset of fair value movements due to holding foreign currency investments. The unrealised exchange net gain was £0.3m as at 31 March 2022 (2021 a net gain of £0.1m). These derivative instruments mature in the period to June 2022.

For 2021/22, the broad policy on managing transactional foreign exchange risk arising from contractual obligations with overseas providers was to retain the risk where there was a value in doing so, where the exposure was highly probable and the risk profile highly certain. For exposures not meeting these criteria, the exchange risk was passed on to the vendor. These exchange rate exposures were managed through the use of forward foreign exchange contracts whose critical terms are closely aligned to the exposure, such as notional amount, expected maturity date and currency. Hedge accounting is applied to these derivative instruments.

Where funds were received in specific currencies in which the Group expected to have future exposures, the Treasury Management Strategy made allowances to place these funds on deposit. This gave the Group the flexibility to offer certain payments in specific foreign currencies where required.

Effects of hedge accounting - Foreign currency hedges in relation to capital expenditure

At 31 March 2022, the Group held forward foreign exchange derivative contracts in Euros, Canadian Dollars, Swiss Francs, Swedish Krona and Chinese Yuan Renminbi. These forward contracts hedge planned foreign currency capital expenditure payments with a nominal value of £278.6m (2021 £371.5m). At 31 March 2022, these contracts had a combined net fair value of £(17.0)m (2021 £(25.7)m). The fair value of forward contracts was recognised in equity at 31 March 2022, with the exception of Swiss Franc contracts with a fair value of £nil for which hedge accounting was discontinued as future hedged payments in that currency were no longer considered probable. The fair value loss is recognised in the income statement. For all other currencies, once hedged purchases occur, the subsequent realised gain or loss will be transferred to fixed asset additions as a basis adjustment.

34. Funding and financial risk management (continued)

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 has been offset by the change in value of hedging instruments.

It is expected that the hedged purchases will take place in the period to March 2027. Detail on the maturity of these contracts is disclosed later in this note.

The Group has no other material financial assets or liabilities denominated in foreign currencies, and thus has no general translation exposure to gains or losses arising from movements in exchange rates.

Sensitivity analysis on foreign exchange risk at 31 March

	2022 Net nominal value £m	2022 Fair value £m	2022 Fair value after a 10% increase in GBP against other currency £m	2022 Fair value after a 10% decrease in GBP against other currency £m	2021 Net nominal value £m	2021 Fair value £m	2021 Fair value after a 10% increase in GBP against other currency £m	2021 Fair value after a 10% decrease in GBP against other currency £m
Impact on Comprehensive Income and Expenditure								
Net sell								
Euros	**(238.9)**	**(2.0)**	**19.8**	**(28.5)**	(183.2)	3.9	20.6	(16.4)
Net buy								
Swiss Francs	**-**	**-**	**-**	**-**	2.5	(0.3)	(0.5)	(0.1)
	n/a	**(2.0)**	**19.8**	**(28.5)**	n/a	3.6	20.1	(16.5)
Impact on Hedging Reserves								
Net buy								
Euros	**248.4**	**(16.4)**	**(38.9)**	**11.0**	302.5	(24.7)	(52.5)	9.3
Canadian dollars	**0.8**	**-**	**(0.1)**	**0.1**	36.4	1.2	(2.1)	5.2
Swiss Francs	**-**	**-**	**-**	**-**	-	-	-	-
Swedish Krona	**22.0**	**(1.3)**	**(3.2)**	**1.1**	23.3	(1.8)	(3.9)	0.8
Chinese Yuan Renminbi	**7.4**	**0.6**	**(0.1)**	**1.4**	6.8	(0.1)	(0.7)	0.6
	n/a	**(17.1)**	**(42.3)**	**13.6**	n/a	(25.4)	(59.2)	15.9
Total liability	**n/a**	**(19.1)**	**(22.5)**	**(14.9)**	n/a	(21.8)	(39.1)	(0.6)

34. Funding and financial risk management (continued)

(ii) Interest rate risk

The Group is mainly exposed to interest rate risk on its planned future borrowings. As TfL is required by legislation to produce a balanced Budget and also produces a balanced Business Plan, any uncertainty over the cost of future borrowing requires funding to be set aside in the Business Plan against that risk rather than being invested in the transport system.

In addition to raising borrowings at fixed rates, to achieve certainty over the cost of planned borrowings, TfL, through its wholly owned subsidiary, Transport for London Finance Limited, can employ derivatives to fix the floating interest rates risk of highly probable and existing borrowings. Transport for London Finance Limited also holds interest rate swaps to fix the floating interest rate risk within committed lease payments for rolling stock. The critical terms of these derivative instruments are closely aligned to the payment schedules and hedge accounting is applied.

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.

Effects of IBOR reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as interbank offered rates ('IBORs') became a priority for global regulators. LIBOR ceased to be published for GBP immediately after 31 December 2021. Sterling Overnight Index Average (SONIA) was selected as the preferred sterling risk-free rate by the Bank of England's Working Group on Sterling Risk Free Reference Rates.

The Group's most significant risk exposure affected by these changes relate to its LIBOR linked floating rate lease payments and the interest rate derivatives that hedged this variability. During the year, TfL restructured the lease contracts to reference SONIA and their associated derivatives.

The notional amount of interest rate swaps designated as hedges is disclosed below.

Effects of hedge accounting - Interest rate swaps

As at 31 March 2022, the Group, through its wholly owned subsidiary, Transport for London Finance Limited, held two float to fixed interest rate swaps at a total notional value of £215.6m (2021 eight interest rate swaps at a total notional value of £411.9m).

34. Funding and financial risk management (continued)

During the year, three interest rate swaps referencing GBP LIBOR that had been hedging the interest rate risk on short term rolling Commercial Paper were terminated, and hedge accounting on these discontinued. Three interest rate swaps hedging interest rate risk on lease payments were terminated and replaced by two new swaps at current market rates referencing SONIA. These new swaps were designated in hedge relationships with the restructured lease payments that also reference SONIA.

For the hedges that related to Commercial Paper the termination settlement (£5m loss) was recorded in net financing costs within Comprehensive Income and Expenditure Statement. For the hedges that related to lease payments the termination settlement (£15m loss) was recognised in equity and will be transferred to net financing costs within Comprehensive Income and Expenditure Statement as the hedged payment occur.

The net fair value of outstanding contracts at 31 March 2022 was an asset of £13.0m (2021 liability of £30.8m). The fair value is recognised in equity at 31 March 2022 and will be transferred to net financing costs within the Comprehensive Income and Expenditure Statement as the hedged lease 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 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 2037. Details on the maturity of these contracts are disclosed later in this note.

Sensitivity analysis on interest rate risk

(a) Fair value sensitivity analysis for fixed interest instruments

All of the Group's non-derivative financial instruments with fixed rates of interest are accounted for at amortised cost. Fluctuations in market interest rates would therefore have no impact on the Balance Sheet or on net income figures in respect of these items.

(b) Fair value sensitivity analysis for derivative instruments

As at 31 March 2022, the Group holds interest rate derivative contracts with a combined notional value of £215.6m (2021 £411.9m) 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 £30.6m/£(7)m (2021 £29.6m/£(24.9)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.

34. Funding and financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Maintaining sufficient cash reserves and having access to a diverse range of flexible funding sources ensures the Group has sufficient liquidity to meet its liabilities, in both normal and stressed conditions.

Liquidity risk is primarily managed by maintaining a minimum level of cash reserves of at least 60 days' worth of forecast annual operating expenditure, equivalent to approximately £1.2bn.

The Corporation has access to several external sources of financing, which are sufficient to meet anticipated funding requirements, within the affordable borrowing limit set by the Mayor. Providing market conditions permit access, the Corporation can raise debt on the capital markets through its established £5bn Medium Term Note programme and £2bn Commercial Paper programme. Alternatively, and in addition, TfL has direct access to reliable funding from the Public Works Loan Board and has an arranged, uncommitted, £0.2bn overdraft facility. Funding facilities are not subject to financial covenants. TfL can also secure financing from financial institutions.

Debt maturities are diversified over short-, medium- and long-term horizons that broadly equate to the lives of the assets that were funded by this source. This ensures refinancing risk is minimised. The contractual maturities of the Group and Corporation's borrowing and other financial liabilities are listed later in this note.

In response to the funding pressures faced over the course of 2020/21 and 2021/22, TfL secured a number of Extraordinary Funding and Financing Agreements from the Secretary of State, as set out in the Viability Statement section of the Narrative report, which give it secure access to funding in the form of a mixture of Government grant and borrowing from the Public Works Loan Board until 24 June 2022 These agreements contain an acknowledgement from the Secretary of State for Transport that further financial support from the Government is likely to be needed until 1 April 2023, with longer term external funding being required to support TfL's capital investment programme.

On 9 May 2022, Moody's credit rating agency downgraded TfL's long-term credit rating from A3 to Baa1 stable citing economic factors hindering recovery of passenger growth.

Due to the active liquidity management and mitigations outlined, there is no significant risk that TfL will be unable to fund its planned financial commitments.

34. Funding and financial risk management (continued)

Maturity profile of derivatives

The Group's foreign currency derivatives have the following maturities:

At 31 March	2022 Average exchange rate	2022 Fair value £m	2022 Notional amount £m	2021 Average exchange rate	2021 Fair value £m	2021 Notional amount £m
Foreign currency forward contracts						
Buy Euro						
Less than one year	**0.874**	**(3.2)**	**68.5**	0.874	(8.3)	79.2
Between one and two years	**0.889**	**(2.8)**	**42.6**	0.885	(3.3)	43.3
Between two and five years	**0.921**	**(10.4)**	**137.3**	0.916	(13.0)	173.8
After five years	**-**	**-**	**-**	0.914	(0.1)	6.2
Sell Euro						
Less than one year	**0.840**	**(2.0)**	**(238.9)**	0.870	3.9	(183.2)
Total Euro	**0.894**	**(18.4)**	**9.5**	0.892	(20.8)	119.3
Buy Canadian Dollars						
Less than one year	**0.591**	**-**	**0.8**	0.560	1.2	36.1
Between one and two years	**-**	**-**	**-**	0.590	-	0.3
Between two and five years	**-**	**-**	**-**	-	-	-
Total Canadian Dollars	**0.561**	**-**	**0.8**	0.561	1.2	36.4

34. Funding and financial risk management (continued)

Maturity profile of derivatives (continued)

The Group's foreign currency derivatives have the following maturities:

At 31 March	2022 Average exchange rate	2022 Fair value £m	2022 Notional amount £m	2021 Average exchange rate	2021 Fair value £m	2021 Notional amount £m
Foreign currency forward contracts						
Buy Swiss Francs						
Less than one year	-	-	-	0.868	(0.2)	2.1
Between one and two years	-	-	-	0.889	(0.1)	0.2
Between two and five years	-	-	-	0.905	-	0.2
Total Swiss Francs	-	-	-	0.880	(0.3)	2.5
Buy Swedish Krona						
Less than one year	0.085	(0.5)	4.8	0.086	(0.9)	2.4
Between one and two years	0.085	(0.4)	6.2	0.087	(0.4)	3.7
Between two and five years	0.086	(0.4)	11.0	0.086	(0.5)	15.0
After five years	-	-	-	0.086	-	2.2
Total Swedish Krona	0.085	(1.3)	22.0	0.086	(1.8)	23.3
Buy Chinese Yuan Renminbi						
Less than one year	0.110	0.6	6.9	0.103	-	-
Between one and two years	0.107	-	0.5	0.110	(0.1)	6.3
Between two and five years	-	-	-	0.107	-	0.5
Sell Chinese Yuan Renminbi						
Less than one year	-	-	-	-	-	-
Between one and two years	-	-	-	-	-	-
Total Chinese Yuan Renminbi	0.109	0.6	7.4	0.106	(0.1)	6.8
Grand total	n/a	(19.1)	39.7	n/a	(21.8)	188.3

34. Funding and financial risk management (continued)

Maturity profile of derivatives (continued)

The Group's interest rate derivatives have the following maturities:

At 31 March	2022 Average contracted fixed interest rate (%)	2022 Fair value £m	2022 Notional amount £m	2021 Average contracted fixed interest rate (%)	2021 Fair value £m	2021 Notional amount £m
Interest rate hedges						
Less than one year	-	-	-	3.837	(1.2)	75.0
Between one and two years	-	-	-	4.284	(6.4)	100.0
Between two and five years	-	-	-	4.489	(2.3)	25.0
After five years	1.037	13.0	215.6	2.285	(20.9)	211.9
Total	1.037	13.0	215.6	3.187	(30.8)	411.9

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.

During the financial year 2021/22, as a result of the replacement of LIBOR with SONIA, all interest rate swaps referencing GBP LIBOR were terminated. The derivates that hedged variable financing costs within certain lease contracts were replaced with two interest rate swaps.

34. 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 2022					
Derivatives settled gross					
Foreign exchange forward contracts:					
Amounts receivable	**342.9**	**67.1**	**148.4**	**-**	**558.4**
Amounts payable	**(348.2)**	**(71.8)**	**(166.0)**	**-**	**(586.0)**
Derivatives settled net					
Interest rate swaps	**0.5**	**3.0**	**4.2**	**5.1**	**12.8**
	(4.8)	**(1.7)**	**(13.4)**	**5.1**	**(14.8)**
Group – at 31 March 2021					
Derivatives settled gross					
Foreign exchange forward contracts:					
Amounts receivable	453.3	76.7	206.5	8.4	744.9
Amounts payable	(457.8)	(81.1)	(226.5)	(8.9)	(774.3)
Derivatives settled net					
Interest rate swaps	(11.8)	(9.2)	(13.3)	(3.5)	(37.8)
	(16.3)	(13.6)	(33.3)	(4.0)	(67.2)

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 2022, the fair value of the interest rate derivatives was a net asset of £13m (2021 £30.8m). The fair value of forward exchange derivatives was a net liability of £19.1m (2021 £21.8m).

34. Funding and financial risk management (continued)

Contractual maturity of financial liabilities

The following table details the Group and the Corporation's remaining contractual maturity for their non derivative financial liabilities. The table has been drawn up on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group or Corporation can be required to pay and, therefore differs from the carrying value and the fair value. The table includes both interest and principal cash flows.

	Less than one year £m	Between one and two years £m	Between two and five years £m	More than five years £m	Total £m
Group - as at 31 March 2022					
Trade and other creditors	**1,626.8**	**42.7**	**-**	**-**	**1,669.5**
Borrowings - principal	**1,425.1**	**163.9**	**1,280.2**	**10,124.5**	**12,993.7**
Borrowings - interest	**402.6**	**314.1**	**1,196.2**	**5,365.0**	**7,277.9**
Right-of-use lease liabilities	**365.5**	**328.4**	**580.3**	**1,799.6**	**3,073.8**
PFI liabilities	**15.0**	**18.3**	**58.3**	**28.2**	**119.8**
Other financing liabilities	**10.4**	**20.9**	**40.1**	**80.3**	**151.7**
	3,845.4	**888.3**	**3,155.1**	**17,397.6**	**25,286.4**
Group - as at 31 March 2021					
Trade and other creditors	1,779.7	15.9	-	-	1,795.6
Borrowings - principal	1,173.4	694.1	1,170.3	9,957.7	12,995.5
Borrowings - interest	336.3	404.1	1,136.7	5,610.2	7,487.3
Right-of-use lease liabilities	361.8	334.4	596.6	1,875.8	3,168.6
PFI liabilities	14.7	15.0	55.3	49.7	134.7
Other financing liabilities	10.4	10.4	47.7	93.6	162.1
	3,676.3	1,473.9	3,006.6	17,587.0	25,743.8
Corporation - as at 31 March 2022					
Trade and other creditors	**504.3**	**30.0**	**-**	**-**	**534.3**
Borrowings - principal	**1,425.1**	**163.9**	**1,280.2**	**10,124.5**	**12,993.7**
Borrowings - interest	**402.6**	**314.1**	**1,196.2**	**5,365.0**	**7,277.9**
Right-of-use lease liabilities	**37.3**	**37.0**	**102.9**	**307.7**	**484.9**
PFI lease liabilities	**15.0**	**18.3**	**58.3**	**28.2**	**119.8**
	2,384.3	**563.3**	**2,637.6**	**15,825.4**	**21,410.6**
Corporation - as at 31 March 2021					
Trade and other creditors	876.8	-	-	-	876.8
Borrowings - principal	1,173.4	694.1	1,170.3	9,957.7	12,995.5
Borrowings - interest	336.3	404.1	1,136.7	5,610.2	7,487.3
Right-of-use lease liabilities	37.6	35.8	101.2	340.4	515.0
PFI lease liabilities	14.4	15.0	55.2	49.7	134.3
	2,438.5	1,149.0	2,463.4	15,958.0	22,008.9

34. Funding and financial risk management (continued)

Fair values

In accordance with IFRS 13, the fair values of the financial assets and liabilities are calculated as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents – approximates to the carrying amount
- Short-term investments – approximates to the carrying amount because of the short maturity of these instruments
- Long-term investments – by reference to bid prices at the close of business on the balance sheet date, within Level 1 of the fair value hierarchy as defined within IFRS 13
- Trade and other debtors - approximates to the carrying amount
- Derivative financial instruments – in the absence of quoted market prices, derivatives are valued by using quoted forward prices for the underlying commodity/currency and discounted using quoted interest rates (both as at the close of business on the balance sheet date). Hence, derivatives are within Level 2 of the fair value hierarchy as defined within IFRS 13:
    - Forward exchange contracts – based on market data and exchange rates at the balance sheet date
    - Interest rate swaps and forward starting interest rate swaps – based on the net present value of discounted cash flows
- Trade and other creditors - approximates to the carrying amount
- Long-term borrowings – determined by calculating the discounted value of the future cash flows (redemption and interest) using appropriate discount rates, based on observable market data, in effect at the balance sheet date at Level 2 of the fair value hierarchy. Fair value approximates to the carrying amount in the case of short-term commercial paper
- Right-of-use lease liabilities – approximates to the carrying amount
- PFI liabilities – approximates to the carrying amount
- Other financing liabilities – approximates to the carrying amount

34. 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 Sheet are illustrated below:

At 31 March	2022 Carrying value £m	2022 Fair value £m	2021 Carrying value £m	2021 Fair value £m
Cash and cash equivalents	**1,390.2**	**1,390.2**	1,710.2	1,710.2
Short-term investments	**19.0**	**19.0**	19.0	19.0
Trade and other debtors	**415.9**	**415.9**	404.1	404.1
Finance lease receivables	**37.0**	**37.0**	44.0	44.0
Derivative financial instruments	**14.6**	**14.6**	6.7	6.7
Total financial assets	**1,876.7**	**1,876.7**	2,184.0	2,184.0
Trade and other creditors	**(1,669.5)**	**(1,669.5)**	(1,795.6)	(1,795.6)
Borrowings	**(12,966.3)**	**(16,558.0)**	(12,967.8)	(19,742.4)
Right-of-use lease liabilities	**(2,436.3)**	**(2,436.3)**	(2,509.1)	(2,509.1)
PFI liabilities	**(101.6)**	**(101.6)**	(111.6)	(111.6)
Other financing liabilities	**(128.1)**	**(128.1)**	(134.3)	(134.3)
Derivative financial instruments	**(20.7)**	**(20.7)**	(59.3)	(59.3)
Total financial liabilities	**(17,322.5)**	**(20,914.2)**	(17,577.7)	(24,352.3)
Net financial liabilities	**(15,445.8)**	**(19,037.5)**	(15,393.7)	(22,168.3)

34. Funding and financial risk management (continued)

The fair values of financial assets and liabilities of the Corporation determined in accordance with IFRS 13, together with the carrying amounts recorded in the Balance Sheet are:

At 31 March	2022 Carrying value £m	2022 Fair value £m	2021 Carrying value £m	2021 Fair value £m
Cash and cash equivalents	1,231.8	1,231.8	1,628.4	1,628.4
Trade and other debtors	12,593.2	12,593.2	12,667.6	12,667.6
Total financial assets	13,825.0	13,825.0	14,296.0	14,296.0
Trade and other creditors	(534.3)	(534.3)	(876.8)	(876.8)
Borrowings	(12,970.3)	(16,558.0)	(12,972.2)	(19,742.4)
Right-of-use lease liabilities	(394.1)	(394.1)	(413.5)	(413.5)
PFI liabilities	(101.6)	(101.6)	(111.2)	(111.2)
Total financial liabilities	(14,000.3)	(17,588.0)	(14,373.7)	(21,143.9)
Net financial liabilities	(175.3)	(3,763.0)	(77.7)	(6,847.9)

35. Pensions

The majority of the Group's staff were members of the Public Sector Section of the TfL Pension Fund. The majority of the Group's remaining staff were members of London Pension Fund Authority Pension Fund, the Principal Civil Service Pension Scheme, the Crossrail Shared Cost Section of the Railways Pension Scheme (Crossrail Section) or the Tube Lines defined contribution scheme.

a) Amount included in net cost of services

For the year ended 31 March	Note	Group 2022 £m	Group 2021 £m	Corporation 2022 £m	Corporation 2021 £m
TfL Pension Fund		**645.6**	443.7	**379.0**	176.9
Local Government Pension Fund		**11.4**	1.3	**11.4**	1.3
Crossrail Section of the Railways Pension Scheme		**3.7**	3.0	**-**	-
Unfunded schemes provision		**0.6**	3.7	**0.6**	2.6
Total for schemes accounted for as defined benefit		**661.3**	451.7	**391.0**	180.8
Principal Civil Service Pension Scheme		**0.6**	0.6	**0.6**	0.6
Other schemes		**5.1**	6.7	**1.7**	1.1
Less: pension costs capitalised		**(3.7)**	(3.0)	**-**	-
Amounts included in net cost of services		**663.3**	456.0	**393.3**	182.5
Less: scheme expenses		**(14.1)**	(13.6)	**(13.7)**	(13.3)
Add: current service costs capitalised		**3.3**	-		-
Amount included in staff costs	3	**652.5**	442.4	**379.6**	169.2

35. 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 2021 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 Fund held a surplus of £179m as at 31 March 2021. Assets totalled £13,085m and the defined benefit obligation totalled £12,906m. A revised Schedule of Contributions was agreed between the Trustee and the employers following the formal funding valuation. This set out a future service contribution rate of 27.3 per cent for the employers and five per cent for members.

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 2022. The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions, while the present value of the schemes' defined benefit obligation is derived from cash flow projections. Due to the timescale covered, neither the assumptions nor the cash flow projections may necessarily be borne out in practice.

The defined benefit obligation for the TfL Pension Fund has been calculated using the mortality assumptions adopted for the latest available funding valuation as at 31 March 2021. 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 2021 projections with a long-term improvement rate of 1.25 per cent per annum. No weighting has been given to 2020 or 2021 mortality experience, given the exceptional impact of the coronavirus pandemic on these years.

The discounted scheme liabilities have an average duration of 20 years.

35. Pensions (continued)

London Pension Fund Authority Pension Fund (Local Government Pension Fund)

The London Pension Fund Authority Pension Fund is a funded multi-employer defined benefit scheme, administered by the London Pension Fund Authority. The Corporation is able to identify its share of the assets and defined benefit obligation of the scheme and this scheme has therefore been accounted for as a defined benefit scheme under IAS 19. Employer's contributions were payable at the rate of 15.6 per cent for 2021/22 (2020/21 15.6 per cent) of pensionable pay, plus a lump sum deficit reduction payment of £0.9m (2020/21 £0.8m). The Corporation's share of the underlying assets and defined benefit obligation resulted in an IAS 19 deficit as at 31 March 2022 of £54.4m (2021 £60.4m). The discounted scheme liabilities have an average duration of 21 years.

The last full actuarial valuation available was carried out at 31 March 2019. The report showed a funding surplus of £481m at that date. The annual report and financial statements for the whole scheme can be found on the London Pension Fund Authority's website (www.lpfa.org.uk). A separate valuation as at 31 March 2022 has been prepared for accounting purposes on an IAS 19 basis by Barnett Waddington LLP.

Crossrail Shared Cost Section of the Railways Pension Scheme (Crossrail Section)

Crossrail Limited (CRL) participates in the Crossrail Section of the Railways Pension Scheme which is accounted for in these financial statements as a defined benefit pension scheme under IAS 19.

The latest available full actuarial valuation of the Scheme was carried out at 31 December 2019. The report showed a funding surplus of £5.9m. This was translated into a current employer contribution level of 20.9 per cent. A separate valuation has been prepared for accounting purposes on an IAS 19 basis as at 31 March 2022 by actuaries at the XPS Pensions Group. Assumptions underlying this valuation have been updated from the full actuarial valuation of the scheme carried out at 31 December 2019. The Group's share of the underlying assets and defined benefit obligation resulted in an IAS 19 deficit, as at 31 March 2022, of £42.7m (2021 £56.8m). The discounted Crossrail Section liabilities have a duration of approximately 23 years.

The defined benefit obligation for the Crossrail Section has been calculated using the mortality assumptions adopted for the funding valuation as at 31 December 2019. Standard mortality tables were used, adjusted to reflect the recent mortality experience of the Scheme's pensioners at that date. An allowance was made for future mortality improvements based on the CMI 2021 projections with a long-term improvement rate of 1.25 per cent per annum. No weighting has been given to 2020 or 2021 mortality experience.

Notes to the Financial Statements

35. 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 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 2022 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 2022 was £107.4m (2021 £113.8m) and is fully provided for in these financial statements.

35. Pensions (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 2022 %	IAS 19 valuation at 31 March 2021 %
RPI Inflation	**3.50**	3.15-3.20
CPI Inflation	**3.00-3.25**	2.65-2.85
Rate of increase in salaries	**3.25-4.25**	3.15-3.85
Rate of increase in pensions in payment and deferred pensions	**3.00-3.43**	2.20-3.15
Discount rate	**2.60**	1.95-2.00

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 £348.6m/(increase by £358.7m)
- If the expected salary growth were increased/(decreased) by 0.1 per cent, the defined benefit obligation would increase by £98.7m/(decrease by £96.8m)
- If life expectancy were increased/(decreased) by one year, the defined benefit obligation would increase by £720.4m/(decrease by £727.1m)
- If the inflation rate were 0.1 per cent higher/(lower), the defined benefit obligation would increase by £348.9/(decrease by £256.6m)

The sensitivity analyses presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

35. Pensions (continued)

c) Accounting for defined benefit schemes

The total assets in the schemes were:

At 31 March	Value 2022 £m	Value 2021 £m
Equities and alternatives	**11,041.6**	10,142.4
Bonds	**3,213.8**	2,619.0
Cash and other	**188.1**	299.6
Total fair value of assets	**14,443.5**	13,061.0

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	2022 %	2021 %
Equities	**77**	78
Bonds	**22**	20
Cash and other assets	**1**	2
	100	100

The unfunded pension schemes have no assets to cover their defined benefit obligation.

35. Pensions (continued)

Total pension deficit at 31 March

Group	2022 £m	2021 £m
Fair value of scheme assets	**14,443.5**	13,061.0
Actuarial valuation of defined benefit obligation	**(17,645.0)**	(18,664.1)
Deficit recognised as a liability in the Balance Sheet	**(3,201.5)**	(5,603.1)

Group	2022 £m	2021 £m
TfL Pension Fund	**(2,997.0)**	(5,372.1)
Local Government Pension Fund	**(54.4)**	(60.4)
Crossrail Section of the Railways Pension Scheme	**(42.7)**	(56.8)
Unfunded schemes provision	**(107.4)**	(113.8)
Deficit recognised as a liability in the Balance Sheet	**(3,201.5)**	(5,603.1)

Corporation	2022 £m	2021 £m
Fair value of scheme assets	**14,348.1**	12,973.9
Actuarial valuation of defined benefit obligation	**(17,506.9)**	(18,520.2)
Deficit recognised as a liability in the Balance Sheet	**(3,158.8)**	(5,546.3)

Corporation	2022 £m	2021 £m
TfL Pension Fund	**(2,997.0)**	(5,372.1)
Local Government Pension Fund	**(54.4)**	(60.4)
Unfunded schemes provision	**(107.4)**	(113.8)
Deficit recognised as a liability in the Balance Sheet	**(3,158.8)**	(5,546.3)

35. Pensions (continued)

Analysis of amounts included in the Comprehensive Income and Expenditure Statement

Analysis of amounts charged to net cost of services

Year ended 31 March	Group 2022 £m	Group 2021 £m	Corporation 2022 £m	Corporation 2021 £m
Current service cost	**637.7**	434.9	**634.4**	432.2
Less contributions paid by subsidiaries	**-**	-	**(266.6)**	(267.9)
Past service cost	**0.1**	3.2	**0.1**	3.2
Settlements	**9.4**	-	**9.4**	-
Total included in staff costs	**647.2**	438.1	**377.3**	167.5
Scheme expenses	**14.1**	13.6	**13.7**	13.3
Total amount charged to net cost of services	**661.3**	451.7	**391.0**	180.8

Amounts charged to financing and investment expenditure

Year ended 31 March	Group 2022 £m	Group 2021 £m	Corporation 2022 £m	Corporation 2021 £m
Net interest expense on scheme defined benefit obligation	**105.9**	90.1	**104.8**	89.7

Amount recognised in other comprehensive income and expenditure

Year ended 31 March	Group 2022 £m	Group 2021 £m	Corporation 2022 £m	Corporation 2021 £m
Net remeasurement losses recognised in the year	**(2,790.9)**	1,361.0	**(2,773.2)**	1,324.5

Analysis of scheme defined benefit obligation into amounts arising from schemes that are wholly or partly funded and wholly unfunded

At 31 March	Group 2022 £m	Group 2021 £m	Corporation 2022 £m	Corporation 2021 £m
Wholly unfunded schemes	**107.4**	113.8	**107.4**	113.8
Wholly or partly funded schemes	**17,537.6**	18,550.3	**17,399.5**	18,406.4
Total scheme defined benefit obligation	**17,645.0**	18,664.1	**17,506.9**	18,520.2

35. Pensions (continued)

Reconciliation of defined benefit obligation

	Group 2022 £m	Group 2021 £m	Corporation 2022 £m	Corporation 2021 £m
Actuarial value of defined benefit obligation at 1 April	**18,664.1**	14,740.4	**18,520.2**	14,645.6
Current service cost	**637.7**	434.9	**634.4**	432.2
Interest cost	**361.3**	335.2	**358.5**	333.0
Employee contributions	**55.9**	55.7	**55.6**	55.4
Remeasurement losses/(gains) on scheme liabilities:				
Net remeasurement - financial	**(1,566.5)**	3,435.0	**(1,556.0)**	3,391.3
Net remeasurement - experience	**104.0**	85.9	**104.0**	85.5
Net remeasurement - demographic	**(206.4)**	(22.1)	**(206.2)**	(23.7)
Actual benefit payments	**(431.0)**	(404.1)	**(429.5)**	(402.3)
Liabilities assumed on settlements	**25.8**	-	**25.8**	-
Past service cost	**0.1**	3.2	**0.1**	3.2
Actuarial value of defined benefit obligation at 31 March	**17,645.0**	18,664.1	**17,506.9**	18,520.2

Reconciliation of fair value of the scheme assets

	Group 2022 £m	Group 2021 £m	Corporation 2022 £m	Corporation 2021 £m
Fair value of assets at 1 April	**13,061.0**	10,639.8	**12,973.9**	10,563.3
Expected return on assets net of expenses	**255.4**	245.1	**253.7**	243.3
Scheme expenses	**(14.1)**	(13.6)	**(13.7)**	(13.3)
Return on assets excluding interest income	**1,122.0**	2,137.8	**1,115.0**	2,128.6
Actual employer contributions	**372.6**	394.8	**104.7**	125.5
Contributions paid by subsidiaries	**-**	-	**266.6**	267.9
Employee contributions	**55.9**	55.7	**55.6**	55.4
Settlement prices received	**16.4**	-	**16.4**	-
Actual benefits paid	**(425.7)**	(398.6)	**(424.1)**	(396.8)
Fair value of assets at 31 March	**14,443.5**	13,061.0	**14,348.1**	12,973.9

35. 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 £1,377.4m (2020/21 a gain of £2,382.9m).

Total contributions of £313.8m are expected to be made to the schemes in the year ending 31 March 2023.

d) Other pension arrangements

Principal Civil Service Pension Scheme and Alpha – Civil Servants and Others Pension Scheme

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. From 1 April 2015 most PCSPS members switched to the new Civil Servants and Others Pension Scheme, (also known as Alpha). The Group is unable to identify its share of the underlying assets and defined benefit obligations of these schemes on a consistent and reasonable basis and, as permitted by the multi-employer exemption in IAS 19, the Group treats contributions to the PCSPS and Alpha as if they were contributions to a defined contribution plan. A full actuarial valuation was last carried out at 31 March 2016. Details can be found in the Civil Service Superannuation Resource Accounts (www.civilservicepensionscheme.org.uk/).

During 2021/22 employers' contributions represented an average of 27.3 per cent of pensionable pay (2020/21 27.3 per cent). Employer contributions are reviewed every four years. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Docklands Light Railway Pension Scheme

The Docklands Light Railway Pension Scheme (DLR Scheme) is a defined benefit scheme established under trust in the UK that provides both pensions in retirement and death benefits to members. The Trustees are responsible for the operation and governance of the DLR Scheme, including making decisions regarding funding and investment strategy in conjunction with Docklands Light Railway Limited (DLR), a subsidiary of the TfL Group, as the Principal Employer of the Scheme.

Every three years the Scheme Actuary of the DLR Scheme carries out a valuation to assess the funding position and to determine the future levels of contributions. The most recent available valuation was effective 1 April 2018. The schedule of contributions agreed following the 1 April 2018 valuation is dated 28 June 2019. The 1 April 2021 valuation is currently in progress.

Keolis Amey Docklands Limited (KAD) was awarded the franchise to operate the DLR from 7 December 2014 and is a Participating Employer in the DLR Scheme. The contributions payable by KAD to the DLR Scheme are set out in the franchise agreement between DLR and KAD dated 17 July 2014. These are to pay 35.7 per cent per annum of Pensionable Salaries into the Scheme, the PPF levy and additional contributions if actual pensionable salary increases exceed RPI + 1.5 per cent per annum.

35. Pensions (continued)

DLR, as the Principal Employer of the DLR Scheme, is responsible for meeting any further costs towards the cost of accruing benefits and removing the deficit, over and above the contributions payable by KAD, if necessary. Following the completion of the 2018 valuation, it was agreed that DLR would pay 22.6 per cent per annum of Pensionable Salaries towards future benefit accrual from 1 April 2018, plus additional contributions towards the deficit of £0.8m per annum, with the first instalment paid on or before 31 July 2019 and the remaining instalments due on or before each 10 April from 2020 to 2024 inclusive. In addition, it was agreed that DLR would pay additional contributions if actual Pensionable Salary growth exceeds RPI inflation + 0.5 per cent per annum (up to RPI inflation + 1.5 per cent per annum).

Over the year beginning 1 April 2022 the contributions payable to the DLR Scheme are expected to be around £5.2m from KAD and £4.1m from DLR, based on the schedule of contributions currently in force. This makes no allowance for additional contributions that may arise if Pensionable Salary growth exceeds RPI inflation + 0.5 per cent per annum or any changes as a result of a new schedule of contributions following completion of the 2021 valuation.

A valuation of the DLR Scheme has been prepared for accounting purposes on an IAS 19 basis as at 31 March 2022. This gave a valuation for the net obligation as at 31 March 2022 of £3.9m. The assumptions used by the actuary are best estimates chosen from a range of possible actuarial assumptions, while the present value of the DLR Scheme's defined benefit obligation is based on future cash flow projections. Neither the assumptions nor the cash flow projections may necessarily be borne out in practice.

The discounted DLR Scheme liabilities have a duration of approximately 20 years.

The scheme's funding arrangements outlined above mean that DLR is currently unable to identify its share of this obligation on a consistent and reasonable basis. The Group has therefore taken the exemption permitted under IAS 19 for multi-employer schemes and treats contributions to the DLR Scheme as if they were contributions to a defined contribution plan. No defined benefit obligation has been recognised in the Balance Sheet in respect of this scheme.

Contributions totalling £4.1m were paid by DLR in 2021/22, with an additional £5.2m being paid by KAD (2020/21 £4.3m paid by DLR and £5.6m by KAD). These costs are not reflected within staff costs for the TfL Group but are instead reflected elsewhere within the operating expenditure of the Group, as the costs relate to the staff costs of DLR's concessionaire.

Defined contribution schemes

The Group contributes to a number of defined contribution schemes, with total contributions, including contributions to the PCSPS and Alpha schemes as outlined in the paragraphs above, amounting to £5.7m (2020/21 £7.3m).

36. Cash flow notes

a) Adjustments to net deficit for non-cash movements

	Group 2022 £m	Group 2021 £m	Corporation 2022 £m	Corporation 2021 £m
Depreciation, amortisation and impairment of property, plant and equipment, intangibles and right-of-use assets	**1,410.0**	1,350.8	**219.2**	183.4
Reversal of loss on disposal of property, plant and equipment and intangibles	**36.2**	63.4	**2.7**	20.4
Reversal of net gain on sale of investment properties	**(105.2)**	(35.8)	**(85.0)**	(30.9)
Reversal of movements in the value of investment properties	**(93.4)**	83.3	**(51.3)**	2.3
Reversal of other financing income	**(4.0)**	(13.6)	**(404.9)**	(405.8)
Interest and other investment income received	**2.6**	14.1	**404.7**	407.7
Reversal of other financing expense	**501.8**	515.3	**547.0**	532.6
Interest paid	**(386.2)**	(412.7)	**(440.4)**	(441.3)
Reversal of share of net losses from joint ventures and associated undertakings	**(31.9)**	2.8	**-**	-
Reversal of defined benefit pension service costs	**661.3**	451.7	**391.0**	180.8
Net cash payments for employers' contributions to defined benefit pension funds and direct payments to pensioners	**(377.9)**	(400.3)	**(110.1)**	(131.0)
Reversal of tax (credit)/charge	**86.2**	(10.5)	**-**	-
Tax received/(paid)	**-**	1.6	**-**	-
Adjustments to net deficit/surplus for non-cash movements before movements in working capital	**1,699.5**	1,610.1	**472.9**	318.2
(Decrease)/increase in creditors	**(103.7)**	(51.1)	**(297.7)**	149.7
(Increase)/decrease in debtors	**(19.7)**	(2.5)	**162.7**	99.5
Decrease in inventories	**(6.6)**	7.4	**-**	-
(Decrease)/increase in provisions	**23.9**	(70.2)	**7.8**	(42.9)
Adjustments to net deficit/surplus for total non-cash movements	**1,593.4**	1,493.7	**345.7**	524.5

b) Adjustments to net deficit for investing or financing items

	Group 2022 £m	Group 2021 £m	Corporation 2022 £m	Corporation 2021 £m
Reversal of capital grants receivable	**(2,014.3)**	(933.5)	**(1,954.6)**	(856.2)
Reversal of capital grants payable to subsidiaries	**-**	-	**1,216.0**	69.9
Adjustments for items included in the net deficit that are investing or financing activities	**(2,014.3)**	(933.5)	**(738.6)**	(786.3)

36. Cash flow notes (continued)

c) Investing activities

Year ended 31 March	Group 2022 £m	Group 2021 £m	Corporation 2022 £m	Corporation 2021 £m
Capital grants received	**2,041.9**	997.3	**1,956.9**	912.0
Capital grants paid to subsidiaries	**-**	-	**(1,216.0)**	(69.9)
Purchase of property, plant and equipment and investment property	**(2,240.9)**	(2,084.6)	**(303.2)**	(262.3)
Purchase of intangible assets	**(14.2)**	(39.7)	**(8.6)**	(31.4)
Proceeds from the sale of property, plant and equipment and intangible assets	**0.1**	0.3	**10.1**	-
Net sales/(purchases) of other investments	**(9.6)**	596.6	**-**	623.5
Issue of loans to subsidiaries	**-**	-	**(89.9)**	(1,458.1)
Repayments of loans to subsidiaries	**-**	-	**15.9**	312.4
Finance leases granted in year	**(6.8)**	(9.6)	**-**	-
Finance leases repaid in year	**13.8**	18.3	**-**	-
Proceeds from sale of investment property	**149.5**	58.4	**94.6**	50.4
Investment in equity of associates and joint ventures	**(4.7)**	(9.2)	**-**	-
Investment in share capital of subsidiaries	**-**	-	**(560.0)**	(660.0)
Net cash flows from investing activities	**(70.9)**	(472.2)	**(100.2)**	(583.4)

d) Financing activities

Year ended 31 March	Group 2022 £m	Group 2021 £m	Corporation 2022 £m	Corporation 2021 £m
Cash payments for reduction of the outstanding liabilities relating to lease and PFI arrangements	**(324.8)**	(309.3)	**(36.0)**	(35.0)
Cash payments for reduction of other financing liabilities	**(6.2)**	(1.7)	**-**	-
Net proceeds from new borrowing	**801.9**	1,541.0	**74.0**	1,541.0
Repayments of borrowings	**(803.4)**	(263.6)	**(75.9)**	(262.9)
Net cash flows from financing activities	**(332.5)**	966.4	**(37.9)**	1,243.1

37. Unusable reserves

At 31 March	2022 £m	2021 £m
Group		
Capital Adjustment Account	**29,633.2**	28,165.1
Pension Reserve	**(3,158.8)**	(5,546.3)
Accumulated Absences Reserve	**(14.6)**	(16.2)
Retained Earnings Reserve in Subsidiaries	**1,483.6**	1,737.3
Revaluation Reserve	**241.1**	339.5
Hedging Reserve	**(57.9)**	(105.0)
Cost of Hedging Reserve	**(3.0)**	(3.9)
Financial Instruments Adjustment Account	**(124.0)**	(135.8)
Merger reserve	**466.1**	466.1
	28,465.7	24,900.8

At 31 March	2022 £m	2021 £m
Corporation		
Capital Adjustment Account	**16,740.2**	16,023.5
Pension Reserve	**(3,158.8)**	(5,546.3)
Accumulated Absences Reserve	**(14.6)**	(16.2)
Revaluation Reserve	**26.5**	29.9
Financial Instruments Adjustment Account	**(124.0)**	(135.8)
	13,469.3	10,355.1

37. 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.

In the table below, the line item for the adjustment between the Group financial statements and the Corporation financial statements arises due to an alignment of the accounting policies between the Group and its subsidiaries. Under the Code, capital grants are recognised in the Comprehensive Income and Expenditure Statement and are then transferred to the Capital Adjustment Account (CAA) when utilised. No amortisation of grants or disposal of grants is recognised in the Comprehensive Income and Expenditure Statement. TfL's subsidiary companies account under full 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.

37. Unusable reserves (continued)

Capital Adjustment Account

	Note	**Group 2022 £m**	Group 2021 £m	**Corporation 2022 £m**	Corporation 2021 £m
Balance at 1 April		**28,165.1**	27,913.6	**16,023.5**	15,356.1
Charges for depreciation and impairment of non-current assets		**(219.1)**	(183.4)	**(219.1)**	(183.4)
Gain on disposal of investment properties		**85.0**	30.9	**85.0**	30.9
Release of Revaluation Reserve relating to historical revaluation gains recognised in respect of properties disposed during the year		**3.1**	0.2	**3.1**	0.2
Release of Revaluation Reserve relating to the difference between fair value depreciation and historical cost depreciation, and to historical revaluation gains recognised in respect of properties disposed during the year		**0.3**	0.4	**0.3**	0.4
Movements in the market value of investment properties recognised in the deficit/surplus on the provision of services after tax		**50.5**	(2.3)	**50.5**	(2.3)
Movements in the market value of investment properties recognised directly in other comprehensive income		**0.8**	-	**0.8**	-
Capital grants and contributions	10	**2,014.3**	933.5	**738.6**	786.3
Minimum Revenue provision		**60.2**	55.7	**60.2**	55.7
Loss on disposal of property, plant and equipment		**(2.7)**	(20.4)	**(2.7)**	(20.4)
Adjustments between Group and Corporation financial statements		**(524.3)**	(563.1)	**-**	-
Balance at 31 March		**29,633.2**	28,165.1	**16,740.2**	16,023.5

37. 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 against 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 2022 £m	Group 2021 £m	**Corporation 2022 £m**	Corporation 2021 £m
Balance at 1 April	**(5,546.3)**	(4,082.3)	**(5,546.3)**	(4,082.3)
Net remeasurement losses on pension assets and defined benefit obligations	**2,773.2**	(1,324.5)	**2,773.2**	(1,324.5)
Reversal of charges relating to retirement benefits	**(762.4)**	(538.4)	**(495.8)**	(270.5)
Employer's pension contributions, contributions from subsidiaries and direct payments to pensioners payable in the year	**376.7**	398.9	**110.1**	131.0
Balance at 31 March	**(3,158.8)**	(5,546.3)	**(3,158.8)**	(5,546.3)

37. Unusable reserves (continued)

Accumulated Absences Reserve

The Accumulated Absences Reserve absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the reserve.

	Group 2022 £m	Group 2021 £m	**Corporation 2022 £m**	Corporation 2021 £m
Balance at 1 April	**(16.2)**	(14.3)	**(16.2)**	(14.3)
Settlement or cancellation of accrual made at the end of the preceding year	**16.2**	14.3	**16.2**	14.3
Amounts accrued at the end of the current year	**(14.6)**	(16.2)	**(14.6)**	(16.2)
Balance at 31 March	**(14.6)**	(16.2)	**(14.6)**	(16.2)

37. Unusable reserves (continued)

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 2022 £m	Group 2021 £m
Balance at 1 April	**1,737.3**	2,011.9
Surplus/(deficit) on the provision of services after tax in subsidiaries	**369.8**	(730.8)
Surplus on valuation of newly created investment properties (net of tax)	**(6.5)**	71.9
Transfer of current year capital grants and contributions to the Capital Adjustment Account	**(1,275.7)**	(147.2)
Transfer of adjustments between Group and Corporation financial statements to the Capital Adjustment Account	**524.3**	563.1
Remeasurement gains/(losses) on defined benefit pension plan assets and liabilities	**17.7**	(36.5)
Release of Revaluation Reserve relating to historical revaluation gains recognised in respect of properties disposed	**114.3**	2.3
Release of Revaluation Reserve relating to the difference between fair value depreciation and historical cost depreciation	**2.4**	2.6
Balance at 31 March	**1,483.6**	1,737.3

37. Unusable reserves (continued)

Revaluation Reserve

The Revaluation Reserve contains the accumulated gains made arising from increases in the value of property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation
- Disposed of and the gains are transferred to retained earnings

	Note	**Group 2022 £m**	Group 2021 £m	**Corporation 2022 £m**	Corporation 2021 £m
Balance at 1 April		**339.5**	333.6	**29.9**	27.7
Revaluation of assets	13	**21.9**	11.4	**0.1**	2.8
Release of Revaluation Reserve relating to historical revaluation gains recognised in respect of properties disposed		**(117.5)**	(2.5)	**(3.1)**	(0.2)
Release of Revaluation Reserve relating to the difference between fair value depreciation and historical cost depreciation, and to historical revaluation gains recognised in respect of properties disposed during the year		**(2.8)**	(3.0)	**(0.3)**	(0.4)
Balance at 31 March		**241.1**	339.5	**26.6**	29.9

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 2022 £m	Group 2021 £m
Balance at 1 April	**(105.0)**	(119.4)
Net change in fair value of cash flow interest rate hedges	**43.8**	20.3
Net change in fair value of cash flow foreign exchange hedges	**8.0**	(15.2)
Reclassification of interest rate fair value losses to profit and loss	**10.2**	9.3
Discontinued hedging relationship	**(15.0)**	-
Balance at 31 March	**(58.0)**	(105.0)

The Corporation does not have a Hedging Reserve as it has not entered into any derivative transactions, nor does it have legal powers to do so.

37. Unusable reserves (continued)

Cost of Hedging Reserve

The Cost of Hedging Reserve holds the gain or loss on a hedging instrument arising from changes in the fair value of the time value of an option when the intrinsic value of the option has been designated in an effective hedging relationship. The gain or loss deferred in reserves is recognised in the Comprehensive Income and Expenditure Statement in the period(s) during which the hedged forecast transaction affects profit or loss. The ineffective portion, if any, is recognised immediately through the Comprehensive Income and Expenditure Statement.

	Group 2022 £m	Group 2021 £m
Balance at 1 April	**(3.9)**	(4.4)
Reclassification of cashflow foreign exchange hedge losses to the Balance Sheet	**0.9**	0.5
Balance at 31 March	**(3.0)**	(3.9)

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 2022 £m	Group 2021 £m	**Corporation 2022 £m**	Corporation 2021 £m
Balance at 1 April	**(135.8)**	(147.5)	**(135.8)**	(147.5)
Release of premium	**11.8**	11.7	**11.8**	11.7
Balance at 31 March	**(124.0)**	(135.8)	**(124.0)**	(135.8)

37. 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 (LUL), to TfL in 2003. It represents the share capital of LUL and was taken as a credit to the merger reserve. The Group has taken advantage of the exemption in IFRS 1 not to restate business combinations occurring prior to the transition date of 1 April 2009.

	Group 2022 £m	Group 2021 £m	**Corporation 2022 £m**	Corporation 2021 £m
Balance at 1 April and 31 March	**466.1**	466.1	**-**	-

38. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Corporation in the year in accordance with proper accounting practice in order to determine the resources that are specified by statutory provisions as being available to the Corporation to meet future capital and revenue expenditure. The General Fund reserve represents monies available to finance the day to day activities of TfL.

38. Adjustments between accounting basis and funding basis under regulations (continued)

Corporation

Year ended 31 March 2022	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	**219.1**	**(219.1)**	**-**	**-**	**-**	**-**
Net gain on disposal of investment properties	8	**(85.0)**	**85.0**	**-**	**-**	**-**	**-**
Movements in the market value of investment properties	8	**(50.5)**	**50.5**	**-**	**-**	**-**	**-**
Capital grants and contributions	10	**(738.6)**	**738.6**	**-**	**-**	**-**	**-**
Loss on disposal of non-current assets	7	**2.7**	**(2.7)**	**-**	**-**	**-**	**-**
Reversal of items relating to retirement benefits		**495.8**	**-**	**(495.8)**	**-**	**-**	**-**
Transfers to/from Street Works Reserve		**(0.4)**	**-**	**-**	**0.4**	**-**	**-**
Difference between the remuneration charged on an accruals basis and the remuneration chargeable in accordance with statutory requirements		**(1.6)**	**-**	**-**	**-**	**-**	**1.6**
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		**(110.1)**	**-**	**110.1**	**-**	**-**	**-**
Minimum Revenue provision	40	**(60.2)**	**60.2**	**-**	**-**	**-**	**-**
Amortisation of premium on financing		**(11.8)**	**-**	**-**	**-**	**11.8**	**-**
		(340.6)	**712.5**	**(385.7)**	**0.4**	**11.8**	**1.6**

38. Adjustments between accounting basis and funding basis under regulations (continued)

Corporation

Year ended 31 March 2021	Note	General fund £m	Capital Adjustment Account £m	Pension Reserve £m	Street Works Reserve £m	Financial Instruments Adjustment Account £m	Accumulated Absences Reserve £m
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Charges for depreciation, amortisation and impairment of non-current assets	3	183.4	(183.4)	-	-	-	-
Net gain on disposal of investment properties	8	(30.9)	30.9	-	-	-	-
Movements in the market value of investment properties	8	2.3	(2.3)	-	-	-	-
Capital grants and contributions	10	(786.3)	786.3	-	-	-	-
Loss on disposal of non-current assets	7	20.4	(20.4)	-	-	-	-
Reversal of items relating to retirement benefits		270.5	-	(270.5)	-	-	-
Transfers to/from Street Works Reserve		(1.3)	-	-	1.3	-	-
Difference between the remuneration charged on an accruals basis and the remuneration chargeable in accordance with statutory requirements		1.9	-	-	-	-	(1.9)
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement which are required to be charged in accordance with statutory requirements							
Employer's pension contributions and direct payments to pensioners payable in the year		(131.0)	-	131.0	-	-	-
Minimum Revenue provision	40	(55.7)	55.7	-	-	-	-
Amortisation of premium on financing		(11.7)	-	-	-	11.7	-
		(538.4)	666.8	(139.5)	1.3	11.7	(1.9)

39. Sources of finance

Capital expenditure analysed by source of finance:

Year ended 31 March	Note	Corporation 2022 £m	Corporation 2021 £m
Capital expenditure			
Intangible asset additions	12	**8.6**	31.4
Property, plant and equipment additions	13	**252.8**	251.0
Investment property	15	**4.0**	17.7
Investments in year	16	**560.0**	660.0
Loans made to subsidiaries in year for capital purposes		**89.9**	1,458.1
Capital grants allocated to subsidiaries in year	10	**1,216.0**	69.9
Total capital expenditure		**2,131.3**	2,488.1
Sources of finance			
Business Rates Retention used to fund capital	10	**1,350.2**	689.6
Community infrastructure levy and other third party contributions	10	**50.4**	120.6
Crossrail specific grant	10	**554.0**	46.0
Prudential borrowing		**74.0**	1,277.4
Repayment of loans from subsidiaries		**15.9**	312.4
Capital receipts		**94.6**	48.8
Working capital		**(7.8)**	(6.7)
Total sources of finance		**2,131.3**	2,488.1

Capital Financing Requirement

The Capital Financing Requirement is the amount of cumulative capital expenditure to be financed by means other than grant or asset sales proceeds. As at 31 March 2022 this stood at £13,185.5 (2021 £13,402.1m) for the Corporation.

40. Minimum revenue provision

The Local Government and Housing Act 1989 requires a Minimum Revenue Provision (MRP) to be set aside for the redemption of external debt. As a statutory corporation regulated as if it were a local authority, TfL is required to comply with the Local Authorities Capital Finance Regulations. New regulations were approved by the Secretary of State in February 2008. TfL is required to approve an Annual MRP Statement determining the amount of MRP which it considers to be prudent.

The Ministry of Housing, Communities and Local Government issued guidance setting out four possible methods which are deemed automatically prudent, but also states that 'approaches differing from those exemplified should not be ruled out… the broad aim of prudent provision is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.'

While statutory guidance suggests four potential methods for calculating MRP it also allows for other methods and approaches to be used. Since 2016/17 TfL has applied the principles inherent in the statutory guidance on MRP, to make an annual provision in TfL (the Corporation), that aims to build up a reserve on the Balance Sheet over the average useful economic life of the assets funded by borrowings in the Corporation, such that, at the end of that useful economic life, that reserve may be employed to either repay borrowings or to finance replacement capex for those assets that have reached the end of their lives. An MRP is effectively already made for borrowings passed down to the subsidiaries through TfL's existing processes for funding those entities. The MRP provision for 2021/22, 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 £60.2m (2020/21 £55.7m).

41. Financial assistance

TfL may give financial assistance to any body or person in respect of expenditure incurred or to be incurred by that body or person in doing anything which, in the opinion of TfL, is conducive to the provision of safe, integrated, efficient and economic transport facilities or services to, from or within Greater London, and also to London Transport Museum Limited.

Financial assistance given under section 159 of the GLA Act 1999 is outlined below:

Year ended 31 March	Corporation 2022 £m	Corporation 2021 £m
Financial assistance to subsidiaries		
Transport Trading Limited	**25.4**	55.0
London Underground Limited	**1,740.9**	2,780.2
London Bus Services Limited	**1,031.6**	1,511.7
London River Services Limited	**5.5**	7.2
Victoria Coach Station	**3.0**	5.3
London Buses Limited	**0.1**	2.8
London Transport Museum Limited	**3.4**	4.4
Docklands Light Railway Limited	**199.8**	71.8
Rail for London Limited	**404.0**	241.1
Crossrail Limited	**88.8**	722.6
Tramtrack Croydon Limited	**40.4**	37.6
Rail for London (Infrastructure) Limited	**57.5**	52.6
	3,600.4	5,492.3

Year ended 31 March	Note	Corporation 2022 £m	Corporation 2021 £m
Financial assistance to London Boroughs and other third parties			
Local Implementation Plan		**40.4**	43.0
Taxicard		**8.2**	5.3
London Streetspace		**11.5**	39.0
Cycling		**8.0**	6.3
Bus priority		**8.7**	5.5
Livable neighbourhoods		**-**	4.7
Other		**5.1**	4.7
	3	**81.9**	108.5

42. Related parties

TfL is required by the Code and IAS 24 Related Party Disclosures (IAS 24) to disclose material transactions with related parties. Related parties are entities or individuals who have the potential to control, indirectly control or significantly influence TfL or to be controlled, indirectly controlled or significantly influenced by TfL.

TfL is a statutory corporation established by section 154 of the GLA Act 1999. It is a functional body of the Greater London Authority and is controlled by the Mayor of London. TfL is classified as a government entity in accordance with IAS 24, as it is controlled by the GLA, through the Mayor. The GLA and its other functional bodies are considered to be related parties of TfL and its subsidiaries, as they are all under the control of the Mayor. Other related parties include TfL's Board Members, members of the TfL Executive Committee (including Managing Directors, the Commissioner, the Chief Finance Officer and General Counsel), the Mayor of London and the TfL Pension Fund. In addition, central Government has the potential to influence TfL by providing the statutory framework within which TfL operates and through the provision of funding in the form of grants and borrowing facilities.

Disclosure of related party transactions allows readers to assess the extent to which the Corporation might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with it.

GLA and functional bodies

Details of amounts received from the Business Rates Retention, and the Council Tax precept paid to TfL by the GLA are shown in note 10.

During 2021/22 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 2022 £m
GLA	16.3	(3.0)	5.3
Mayor's Office for Policing and Crime (MOPAC)	0.5	(80.5)	0.1
London Legacy Development Corporation (LLDC)	1.1	-	0.1
London Fire Commissioner	0.1	(0.1)	-

42. 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 transactions with the Corporation or its subsidiaries (2020/21 none). Details of the remuneration of the Commissioner and all employees earning a base salary of £150,000 or more are disclosed in the Remuneration Report (see note 5).

TfL Pension Fund

The Accounts of the TfL Pension Fund are prepared separately and are subject to a separate audit opinion. Contributions payable to the TfL Pension Fund by TfL as employer are disclosed in note 35.

Central Government

During 2021/22 the DfT contributed grant funding to TfL totalling £1,717m (2020/21 £2,457m) under a series of Extraordinary Funding and Financing Agreements. These funding agreements also permitted TfL to borrow a total of £600m from the PWLB over the course of 2020/21 to fund its capital investment activities.

In addition to the funding set out in these agreements, in December 2018, the Mayor of London and the Government agreed a financial package to cover Crossrail overruns. The GLA was to borrow up to £1.3bn from the DfT. The GLA will repay this loan from the existing Business Rate Supplement (BRS) and Mayoral Community Infrastructure Levy (MCIL). The GLA would also provide a £100m cash contribution, taking its initial total contribution to £1.4bn to be provided as a grant to TfL for the Crossrail project. A loan facility from the DfT was also directly granted from the DfT to TfL of up to £750m.

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

In the year to 31 March 2022, the GLA paid grants totalling £554m to TfL in relation to the Crossrail project (2021 £46m) under the funding agreements outlined above. And as at 31 March 2022 the £750m of the Crossrail loan facility from the DfT had been drawn down (2021 £676m).

Other public bodies

TfL provides financial assistance to London Boroughs to support Borough schemes that improve the local travelling environment. Financial assistance provided is disclosed in note 41.

TfL receives income from the London Boroughs for the provision of free travel for older and disabled customers, and students. This income is set out in note 1.

TfL has borrowings outstanding from the PWLB and pays interest to PWLB in respect of those borrowings.

TfL makes payments to the British Transport Police for the provision of policing services on the Underground and London Overground and other 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.

43. Trust Funds

The Corporation acts as the sole trustee for the TfL Healthcare Trust, a trust established for the purpose of providing certain benefits relating to medical treatment for eligible employees of the Group and their family members. The Trust is administered by AXA PPP Healthcare Administration Services Limited, an independent third party. Under the terms of the Trust deed the funds held by the Trust do not represent the assets of the Corporation or its subsidiaries. Hence the Trust has not been consolidated into these financial statements.

	Income £m	Expenditure £m	Assets £m	Liabilities £m
At 31 March 2022				
TfL Healthcare Trust	**4.8**	**(3.8)**	**5.1**	**-**
At 31 March 2021				
TfL Healthcare Trust	2.5	(2.6)	4.1	-

44. Events after the Balance Sheet date

The impact of the coronavirus pandemic on the Group's operations is discussed in the Narrative Report and Financial Review.

Since 31 March 2021, TfL has continued to experience revenue shortfalls as a result of the pandemic, and the TfL Group remains reliant on extraordinary funding support from the Department for Transport (DfT) for the continued provision of services. Our funding agreements with the DfT, the latest of which was agreed on 25 February 2022.

The settlement, in line with earlier agreements, confirms the Government's intention to continue to support with the cost of operations beyond June, as we work our way to achieving financial sustainability by April 2023.

Management have considered the impact of the pandemic and the status of ongoing discussions with Government regarding TfL's longer term funding requirements on the values at which income, assets and liabilities have been recorded in these accounts. We do not consider that there has been any post-Balance Sheet event that would require a further adjustment being made to the carrying values at 31 March 2022 as reported in these financial statements. As at the date of signing of the accounts, TfL continues to provide a full level of service.

Throughout 2022/23 we will continue to work closely with the DfT and the Mayor of London to determine what further sources of funding will be made available to progress our capital investment programme. We will make decisions regarding the future of assets under construction at the Balance Sheet date as and when Government priorities in relation to future Transport investment, and the quantum of likely future funds, become clearer. We consider any possible future impairments of the carrying value of existing assets or assets under construction to be non-adjusting post Balance Sheet events for the purposes of these Financial Statements.