Board

Date: **3 July 2013**

Item 6: **TfL Annual Report and Statement of Accounts for the Year Ended 31 March 2013**

This paper will be considered in public

1 Summary

1.1 The purpose of this report is to present TfL's Annual Report and Statement of Accounts for the year ended 31 March 2013, to request the Board's approval of the Statement of Accounts included in the Annual Report and to seek the Board's approval for the publication of TfL's 2012/13 Annual Report.

1.2 The Annual Report and the Statement of Accounts for the year ended 31 March 2013 were considered by the Audit and Assurance Committee at its meeting on 19 June 2013.

2 Recommendation

2.1 The Board is asked to:

(a) approve the 2012/13 Annual Report, subject to any comments it might have;

(b) delegate authority to the Managing Director, Customer Experience, Marketing and Communications, to make any further design or editorial changes to the Annual Report as may be required; and

(c) approve the Statement of Accounts and to agree that the Chief Finance Officer will make any adjustments arising from the ongoing work prior to the auditors signing their opinion. Should any changes be required to the Statement of Accounts which, in the opinion of the Chief Finance Officer, are material, he will seek the approval of the Board to these changes.

3 Background

3.1 TfL is legally required under section 161 of the Greater London Authority (GLA) Act 1999 to produce a report on its achievements and the performance of its functions during the year. Approval of the Annual Report is a matter reserved to the Board under TfL's Standing Orders. The Annual Report includes the information that is required under the GLA Act. TfL is also required, under the Accounts and Audit (England) Regulations 2011, to prepare a Statement of Accounts each year.

3.2 The 2012/13 Annual Report will include TfL's Statement of Accounts for the year ended 31 March 2013. While this is not a legal requirement, it is regarded as good practice and will assist key audiences in understanding TfL's financial and operational performance over the year.

4 Statement of Accounts

4.1 The Statement of Accounts has been prepared in accordance with the provisions of the Audit Commission Act 1998 and the Accounts and Audit (England) Regulations 2011 ('the Regulations'). The form, content and accounting policies followed in preparing the Statement are as prescribed in the Regulations and by the Code of Practice on Local Authority Accounting developed and published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) joint committee ('the Code'). The Code is based on International Financial Reporting Standards and is updated at least annually.

4.2 The Regulations require that the responsible financial officer, namely the Chief Finance Officer, sign and date the Statement of Accounts by 30 June at the latest, and certify that it presents a true and fair view of the financial position of TfL at the end of the year to which it relates and of TfL's income and expenditure for that year.

4.3 The Regulations further require that the Statement of Accounts is approved by a resolution of a Committee of the Board, or otherwise by a resolution of the Members of TfL, meeting as a whole.

4.4 In addition, the accounts and accounting records must be made available for public inspection for a period of four weeks following advertisement of the inspection period. The inspection period commences on 26 June and finishes on 23 July. Immediately following the inspection period, the auditors may receive questions or objections to the accounts from local government electors in London. Should any such questions or objections be raised, these will be reported to the Audit and Assurance Committee at its next meeting. Should any matters arise from questions or objections which require, in the opinion of the Chief Finance Officer, a material change to the Statement of Accounts, he will seek the approval of the Board to these changes.

5 Annual Report

5.1 The narrative reflects Mayoral and TfL's business priorities. It highlights key achievements and progress against the Mayor's Transport Strategy in the financial year (a requirement of the GLA Act).

6 Views of the Audit and Assurance Committee

6.1 At its meeting on 19 June 2013, the Audit and Assurance Committee noted both the draft Annual Report and the draft Statement of Accounts.

6.2 Members asked that it was again made clear that: as with many businesses of the size and scale of TfL, the precise timing of investment spend can change across accounting periods; references to 'surpluses' or 'reserves' were, therefore, of a technical nature; that these sums will be spent on delivering investment projects to improve transport in London, including the vital upgrade of the Tube and improving roads infrastructure; and that, since these sums are fully allocated to transport improvements, they are not available for any other purpose.

6.3 In terms of usable reserves, the majority represents funding for the Crossrail project which has been received but not yet spent. Similarly, the majority of remaining usable reserves are “earmarked reserves”, and are set aside for major projects such as the sub-surface Tube lines upgrade, the Northern line upgrade and congestion relief projects at Paddington and Victoria. Based on TfL’s Business Plan, the earmarked reserves are expected to be exhausted by 2015/16. Again, they are committed to our investment programme and therefore not available for any other purpose.

6.4 Members also noted the significant difference between the funding valuation of the TfL Pension Fund and the accounting valuation required to be used for the statement of accounts. The last funding valuation was at 31 March 2012 and revealed a deficit of £699m for the Public Sector section and £41m for the Tube Lines section. The rules of the TfL Pension Fund require that any deficit should be made good by additional employer contributions over a period not exceeding ten years and this obligation is recognised in TfL’s Business Plan.

6.5 The accounting valuation shows a deficit of £2.8bn, and the difference largely relates to different requirements on the discount rate to be used for valuing liabilities. It is the funding valuation that is important in determining TfL’s future obligations to make payments to the pension fund.

6.6 On the draft Annual Report, Members made comments on certain sections and all of these have been reflected in this version.

6.7 The issues raised by the Committee have all been addressed in this paper and its appendices.

7 Information

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

7.2 The Annual Report and Statement of Accounts will be available electronically and also in audio, Braille and a range of languages.

List of appendices to this report:

Appendix 1 – draft TfL Annual Report and Statement of Accounts 2012/13

List of Background Papers:

None.

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Annual Report and Statement of Accounts

2012/13
Draft

MAYOR OF LONDON

Transport for London

Annual Report and Statement of Accounts

Contents

Mayor's foreword

This year proved beyond doubt that the Capital's success depends on an efficient and world class transport system. When London succeeds, so too does the rest of the country.

If London's Tube, railways, buses and roads had failed to cope with the pressures of the Olympic and Paralympic Games, then the UK's reputation would have been damaged irrevocably in the eyes of the world. Our transport system didn't just cope, it triumphed. As a result, the Capital's reputation as a place in which to live, work and invest has never been higher. Our efforts are already bearing fruit with investors lining up at the Royal Docks, Battersea and beyond.

Transport for London's (TfL's) achievements are not, of course, limited to the Games. It is carrying more people, more reliably, safely and efficiently than at any point in history and delivering impressively on one of the biggest investment programmes being undertaken anywhere on the planet. Every year it gets better – and this year it got a lot better.

And that is thanks to a laser-like focus on day-to-day services and steady and sustained investment to improve everyone's journeys. This means new rail lines, the modernisation of our 150-year-old Tube, the arrival of Crossrail, new trains and buses, improved roads and traffic signals and a step-change in facilities for cyclists.

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This is vital investment in the UK's national economic infrastructure which will ensure that London continues to lead the whole country out of recession, creating thousands of jobs and growth along the way.

Behind all of this hardware is a group of people whose effort, professionalism and dedication make it all work. These people deserve our thanks.

Sixty-one thousand people are employed in TfL's supply chain – 41,000 outside London. The steelworkers of Scunthorpe, for example, are helping us Londoners to get to work each morning.

Then there are the people who are working day and night to build new transport capacity and upgrade our ageing Tube lines. They are delivering, on time and on budget, a programme of work that is Brunelian in its ambition and scale. They are transforming our city.

The men and women who operate our transport networks on a daily basis make a huge contribution to life in London: the station staff, bus and train drivers, the people in our control centres, those working in our depots and garages and our maintenance crews. Too often their work is a thankless task.

If things go wrong, the buck stops with Sir Peter and his team. But, increasingly, things are going right. This is not by chance. The success of the Games and more reliable day-to-day services are the result of years of good leadership, hard graft, meticulous planning and effective delivery.

As I outlined in my 2020 Vision, an efficient transport system is vital to our future. From 2011 to 2021 London's population will have risen by a million and that is why we will need even better transport links to move people across the city to their jobs and homes. Our future prosperity depends on a transport system that can support that huge population growth.

So now is not the time to turn off the investment tap. As the opening of Crossrail begins to come into sight, we must look further ahead, press on and secure a funding package for Crossrail 2 and other investment that will continue to drive the success of London and this country for decades to come.

Boris Johnson
Mayor of London

Message from the Commissioner

This has been a remarkable year for London's transport systems. Our networks are carrying more customers than ever, more reliably, safely and more efficiently.

The Capital's population is increasing by the equivalent of two full bus loads of people every day or one full Tube train a week and we have completed the first key stages of the renewal of the world's oldest underground ready to cope with it.

London's transport, once seen as the Achilles' heel of our bid for the 2012 Olympic Games, was one of its greatest successes.

Efficient and reliable transport is at the centre of maintaining London's position as a world-leading city, the engine of the UK economy and a generator of thousands of jobs and apprenticeships across the country.

This was a year in which steady and sustained investment continued to translate into visible improvements for the millions of customers and users who rely on us to keep London working, growing and make life here better.

The Tube, celebrating 150 years of serving London, has never been more reliable.

Investment in new signalling, track and trains as well as a relentless focus on improving day-to-day reliability saw passenger numbers break all records, with 1.23 billion journeys made and reliability 40 per cent better than in 2007/08.

The BBC documentary 'The Tube' and its companion programme on the 150th anniversary gave an insight into what it takes to keep the system running efficiently every day while at the same time undertaking the largest capital investment programme to effectively rebuild it. It also showed, in a very human way, the passion and dedication of the Tube's staff in delivering a better network and increasingly high standards of customer service. And, the 150th anniversary of the Tube was celebrated in style by running a steam train, which captured the world's imagination and enabled us to make the case for investment very convincingly.

We completed the London Overground extension to deliver the first orbital rail service since the Circle line in 1884, revolutionising service levels and stimulating new economic activity along the route. This better service has seen passenger numbers grow so rapidly that we have ordered new rolling stock to alleviate the worst of the overcrowding.

The construction of Crossrail continued at pace, with fantastic progress made in digging the 26 miles of tunnels that will bring such desperately needed capacity to the rail network. This spring and summer will see huge tunnel boring machines break through at what will be brand new stations at Bond Street, Canary Wharf and Woolwich.

On the roads, action such as making utility companies pay for the amount of time they dig up our busiest routes has led to more than 90 per cent of these roadworks taking place outside peak hours, reducing lost time and frustration. Working in partnership with the London boroughs, we have introduced new single maintenance and construction contracts that will save up to £450m and deliver better roads.

Our bus network goes from strength to strength, with passenger numbers not seen since the 1950s. This is one of the greatest bus networks in the world and crucial to the success, not only of the Outer London economy, but to central London and the booming night time economy. Our wonderful new, fuel-efficient New Bus for London is also setting new levels of quality for our passengers.

The popularity of cycling continues to grow and we've been able to make major improvements such as expanding Barclays Cycle Hire to new

parts of the city, make key junctions safer, and improve cycling conditions in many town centres. I am also determined to take every step possible to protect cyclists by improving the safety of HGV construction vehicles.

With the early opening of the Emirates Air Line – on budget and in time for the Games – we've taken to the skies for the first time in our history.

Every element of what we do came together to be at the heart of the success of the London 2012 Olympic and Paralympic Games.

Unprecedented partnership working across the transport industry, the sensible attitudes of Londoners, businesses and the freight and logistics industry and the sheer hard work of our staff meant record numbers of passengers were carried and our roads kept moving.

The efficient city the entire world saw meant that the focus remained on the sport and ensured that people from around the world will want to come to live, work and invest in London for many years to come.

The Games also led to a change in the way we think about the accessibility of the transport system and the way in which we engage with our stakeholders. What we learned during the Games we are applying to make permanent improvements to transport.

I would like to pay particular tribute to our customers and road users who changed their travel behaviour during this period.

Around 30 per cent changed travel time or route, or worked a day or two from home and delivered the most successful travel demand programme of its kind.

In addition, our renewed focus on improving the experience of our customers and users means we are easier to do business with.

We led the world in introducing payment by contactless debit and credit cards on the bus network, saving people money, and made keeping track of Oyster journeys and fares as simple as online banking. Many more such improvements are to come.

We also continued to improve the information we provide customers, with WiFi on the Tube and Countdown for buses. Our open data policy, which encourages innovation and the creation of thousands of useful travel apps, is also seen as world-leading and is helping to give the UK's developing new media industry an edge over its foreign competitors.

Finally, 2012/13 has been packed with achievements. We have provided unprecedented levels of service to many more customers, and helped to deliver one of the greatest Games ever. And we have achieved all of this while delivering more than £1.4bn in efficiency savings as part of a multi-year and multi-billion pound exercise that will save 15 per cent of our budget and help protect frontline services and investment. We also published a new Business Plan, which outlines a more integrated and pan-TfL approach to planning, in the midst of the Games.

You would expect someone in my position to argue for further sustained investment in transport. But the case for doing so carries the overwhelming support of customers and users, business and politicians who can see what this brings to London and the country as a whole.

In many ways, this year was a watershed for London's transport system, with the benefits of investment clearly coming through for millions of customers and businesses. The job, however, is far from being complete.

Paris has expenditure planned out into the early 2030s. To keep London a world-leading city and to attract the investment that creates growth, regeneration and jobs across the UK, we must match their vision and their scale of their commitment.

I have never worked so hard in my life as in the Olympic year; neither have my colleagues, who deserve huge credit for an extraordinary year – fulfilling all (but one) of the 2008 Mayoral election manifesto pledges. They have done an outstanding job on the Games and delivered even more services at an even higher quality with less cost and greater efficiency.

It was a remarkable year.

Sir Peter Hendy CBE
Comissioner of Transport

Year at a glance

Record passenger numbers, strong performance and reliability, plus a Games to remember

April 2012

TfL launches campaign to encourage Londoners to 'Get Ahead of the Games'

May 2012

Crime rates on London's transport network at lowest levels

June 2012

Emirates Air Line, the Capital's first cable car service, opens to passengers

July 2012

During the Games, TfL services carry record passenger numbers

August 2012

DLR celebrates 25 years of service connecting the heart of the City to the regenerated Docklands

September 2012

Mayor announces plans to expand Barclays Cycle Hire to southwest London

October 2012

TfL's real-time bus information service deals with 620 million requests in its first year

November 2012

Tube delays on the Victoria line cut by a third in four years following its upgrade

December 2012

London Overground orbital link completed with the opening of the Clapham Junction - Surrey Quays branch

January 2013

London Underground celebrates 150 years of service as improvements continue and reliability increases

February 2013

The Mayor and TfL unveil a host of measures to double journeys on the Thames by 2020

March 2013

The Mayor's Cycling Vision launches with radical plans to boost cycling in the Capital

Operational performance

Buses

	2012/13	2011/12	2010/11	2009/10	2008/09
Passenger journeys (millions)	**2,335**	2,344	2,289	2,257	2,247
Kilometres operated (millions)	**490**	490	486	483	478
Percentage of schedule operated (per cent)	**97.6**	97.6	97.4	97.1	97
Excess wait time (high frequency) (minutes)	**1.0**	1.0	1.0	1.1	1.1
Customer satisfaction (score)	**82**	80	80	79	80

Note: The figure for bus passenger journeys in 2011/12 reflects a change in the method for calculating child journeys. The comparable figure for 2009/10 is 2,265 million journeys.

TfL's road network

	2012/13	2011/12	2010/11	2009/10	2008/09
Journey time reliability (am)*	**89.2**	88.9	88.8	89.3	n/a
Hours of serious and severe disruption	**2,249**	1,994	2,176	2,344	2,035
Traffic flow**	**92.91**	91.87	93.02	94.27	95.06
Customer satisfaction with TfL's road network***	**76**	75	72	n/a	n/a

Notes: * Data unavailable before 2009/10 ** Score against an index of 100 from Period 13, 2006/07
*** Data unavailable before 2010/11

London Underground

	2012/13	2011/12	2010/11	2009/10	2008/09
Passenger journeys (millions)	**1,229**	1,171	1,107	1,065	1,089
Kilometres operated (millions)	**76**	72.4	68.9	69.4	70.6
Percentage of schedule operated (per cent)	**97.6**	97	95.6	96.6	96.4
Excess journey time (weighted) (minutes)	**5.3**	5.8	6.5	6.4	6.6
Customer satisfaction (score)	**83**	80	79	79	79

Docklands Light Railway

	2012/13	2011/12	2010/11	2009/10	2008/09
Passenger journeys (millions)	**100**	86.2	78.3	69.2	66
Kilometres operated (millions)	**5.7**	4.9	4.7	4.6	3.9
On-time performance (per cent)	**98.8**	97.5	97.4	94.8	94.6
Customer satisfaction (score)*	**87**	83	81*	91.9	92

Note: *During 2010/11, the scoring system changed from the previous Serco measure to the TfL Customer Satisfaction Score measure. For comparison the score for 2010/11 using the previous measure was 94.9

London Tramlink

	2012/13	2011/12	2010/11	2009/10	2008/09
Passenger journeys (millions)	**30.1**	28.5	27.9	26.5	27
Kilometres operated (millions)	**2.9**	2.7	2.7	2.6	2.7
Planned kilometres delivered (per cent)	**98.2**	99	98.6	98.6	98.4
Customer satisfaction (score)	**89**	86	85	86	86

London Overground

	2012/13	2011/12	2010/11	2009/10	2008/09
Passenger journeys (millions)	**124.6**	**102.6**	57.2	34.3	33.2
Kilometres operated (millions)	**7.5**	**6.9**	5.2	3.4	3.4
On-time performance (per cent)	**96.6**	**96.6**	94.8	93.2	92.3
Customer satisfaction (score)	**82**	**82**	80	73	74

Emirates Air Line

In its first year, two million passenger journeys were completed and passenger satisfaction scored 93 per cent. Performance, measured in terms of availability, reached 94.2 per cent.

Effective and efficient business operations

TfL exceeded its target for gross savings in 2012/13, achieving £1,417m against a target of £1,394m. The cost of terminating the London Underground PFI PowerLink contract resulted in a position of £56m below target with savings of £1,237m against a target of £1,293m (net). Significant savings generated by this deal in future years will more than offset the initial cost and TfL therefore remains on target for delivery over the Business Plan.

Total cumulative net savings of the efficiencies programme (from 2009/10 up to 2012/13) are £3,262m, which is £179m ahead of target.

Rail and Underground

In 2012/13, Rail and Underground delivered gross savings of £614m, against a target of £565m. This included the following:

- Ongoing savings from reorganisations and staff reductions in previous years, including the integration of Metronet (£53m), plus reductions in operational staff (£105m) and back office staff (£49m)
- Project savings, the largest items being the new signalling contract for the sub-surface railway saving (£62m), more efficient ways of working and greater productivity in the Track Programme by using 24 hour closures as opposed to multiple weekend closures (£20m), and savings in the station upgrade programme (£62m)
- Efficiencies owing to better maintenance practices (£88m)

Surface Transport

In 2012/13, Surface Transport achieved gross savings of £299m against a target of £291m. Savings delivered included:

- Continuing savings through competitive tendering of the bus network
- Cancellation of proposed enhancements to bus quality incentive contracts after the pilot showed only marginal improvements in customer satisfaction
- Savings derived from the re-let of the Congestion Charging contract
- The implementation of iBus which led to a reduction in traffic recording roles

Corporate and Group-wide

In 2012/13, Gross savings in Group-wide back office costs and in the Corporate Directorates of £504m were delivered against a target of £538m. The variance reflected the postponement of various initiatives to future years. TfL remains confident that the savings target over the full Business Plan will be achieved. Savings delivered in 2012/13 included:

- Recurring savings following the completion of Project Horizon, which delivered a leaner organisation with ongoing savings through improved sourcing and better ways of working
- Income from letting property to third parties and the disposal of property assets including the rationalisation of TfL's office portfolio based on the use of more efficient hub buildings
- Secondary revenue generated through commercial contracts for various activities including advertising rights
- Ongoing cuts in marketing spend in line with Mayoral commitments

Progress against the Mayor's Transport Strategy

In May 2010, following extensive consultation, the Mayor of London published a new transport strategy, setting out his goals and aspirations for the transport network over the next 20 years.

These are aimed not only at increasing capacity but also bringing improvements in comfort, safety and security, and helping London meet its climate change and environmental targets.

The Mayor's Transport Strategy (MTS) identifies six goals:

- Support economic development and population growth
- Enhance the quality of life for all Londoners
- Improve the safety and security of all Londoners
- Improve transport opportunities for all Londoners
- Reduce transport's contribution to climate change and improve its resilience
- Support delivery of the London 2012 Olympic and Paralympic Games and its legacy

The following pages highlight the progress TfL has made this year in meeting these goals.

Overall progress against the MTS outcomes is reported every year in TfL's Travel in London report.

Support economic development and population growth

This MTS goal is being addressed by the biggest investment programme on the Capital's transport network since the 1930s:

- Vital investment and improvements in reliability have led to a record year for Tube performance. Statistics for 2012/13 show that passengers made more journeys on the Tube than ever before – 1.23 billion – while the number of train kilometres operated increased by 4.5 per cent to almost 76 million. Reliability, measured by the amount of delays to customers, has never been better

- Giant tunnel boring machines began digging under the capital to construct the tunnels for Crossrail – the Capital's new east-west rail link (see page 24)

- The Mayor submitted a proposal to Government outlining his plans to improve suburban rail services and stations currently under the control of private train operating companies. The plan highlights that savings from the Southeastern and West Anglia franchises alone could amount to £100m over 20 years if the inner suburban routes came under direct Mayoral control. TfL would invest in around 100 stations, bringing them up to superior London Overground standards

- The proposed new river crossing, the Silvertown Tunnel, has been designated a 'Nationally Significant Infrastructure Project' in recognition of the impact it would have on reducing congestion and boosting economic growth and development. If all approvals are received, the new river crossing could be in place and open to traffic within the next decade

- In July, experts, academics and user groups came together to form the Mayor's Roads Task Force. Its aim is to carry out a major strategic review of London's roads. Throughout the year the task force has been analysing the challenges facing the road network and looking at how TfL and the London boroughs could redesign gyratories and congestion blackspots to make journeys more reliable and roads safer for everyone. A report of its findings will be published in summer 2013

- Docklands Light Railway (DLR) celebrated its 25th birthday this year, and carried a record-breaking 100 million passengers. The network has grown from two routes and 11 trains into a 34km railway, with 40 stations and more than 100 trains. London's first fully accessible railway was a key part of the London 2012 Olympic and Paralympic Games. It carried 7.2 million passengers during the Games, up 100 per cent on normal levels

- The £700m transformation of Victoria Underground station, one of the busiest on the network, is well under way. Work to double the size of the south ticket hall continues behind hoardings so it can remain in use. When complete, the station will have three ticket halls, including a new north ticket hall and entrance, a new south ticket hall twice its original size, nine new escalators and seven new lifts. The station will become step-free by 2018

- TfL has awarded a 30-year contract to Otis to install at least 50 new escalators and increase the reliability of existing escalators across the Underground network. The £190m contract is awarded jointly with Crossrail Limited and also includes 57 escalators for the new Crossrail stations in central London. It is one of the biggest orders ever placed in the UK for station escalators

- TfL and the boroughs have awarded four new area-based joint highways contracts that could save £450m during the next eight years and help drive through £2bn investment in road infrastructure. The new Consolidated London Highways Alliance Contracts, developed jointly by TfL and the boroughs, cover the road maintenance, design and construction of new schemes, and, for the first time, introduce standards for works on all London roads. The frameworks will apply to the TfL Road Network (TLRN) highway contracts from April 2013, and will be worth up to £1.2bn during the next eight years. TfL has written into the Local Implementation Plan (LIP) guidance that boroughs will be expected to use the new arrangements when they represent better value than existing ones. This new way of working will help deliver jobs, innovation and 250 apprenticeship opportunities

- London's boroughs have received £148m to invest in community transport projects. TfL has allocated the money, through LIP funding, to be spent on hundreds of projects to make cycling safer and easier, improve pedestrian facilities, make roads safer, smooth traffic flow, breathe new life into town centres and boost local economies. Brent, for example, received £3.2m towards the redevelopment of Harlesden town centre, improving conditions for pedestrians, public transport users and cyclists

- TfL awarded Briggs Marine and Environment Services a £50m contract to operate and maintain the Woolwich Ferry over the next seven years. Briggs Marine will work with TfL's London River Services and be responsible for the day-to-day operation and maintenance of three ferries and terminals at Woolwich and Woolwich North. The free ferry service carries up to 50,000 passengers and 20,000 vehicles every week

- The Mayor launched his River Action Plan, which outlines £10m in investment to improve services and aims to double the number of river passengers by 2020. Key improvements include three new piers, with the first opening at Plantation Wharf in Battersea as part of a private initiative later in 2013, real-time arrivals information plus contactless 'wave and pay' ticketing. The plan also envisages the river as a fully integrated part of London's transport network

- Engineering consultancies have been appointed to work on TfL's structures and tunnels. The design partnership will form part of TfL's wider £3.8bn investment into the Capital's road network. It will cost around £200m to deliver and includes improvements to:

  – Upper Holloway railway bridge and Highbury Corner bridge on the A1

  – A127 Ardleigh Green railway bridge

  – A406 Power Road railway bridge

  – Chiswick Bridge on the A316

  – The Hammersmith Flyover

Spotlight

An historic 150 years of the Tube

Support economic development and population growth	Enhance the quality of life for all Londoners	Improve the safety and security of all Londoners	Improve transport opportunities for all Londoners	Reduce transport's contribution to climate change and improve its resilience	Support the delivery of the London 2012 Olympic and Paralympic Games

In its 150th year, London Underground has broken all previous performance records, with 1.23 billion passenger journeys made – a five per cent increase on 2011/12. Reliability, measured by the amount of delays to customers, also reached new levels of performance with the number of lost customers hours down by 20 per cent on last year – the lowest number since measures began in 1999.

The Tube played a major role in delivering a successful Olympic and Paralympic Games and activities to mark its 150th anniversary have helped to highlight the Tube's role in Londoners' lives today.

This included a recreation of the first steam train run on the Metropolitan line. This and other events have allowed many members of the public to experience the Tube's rich heritage.

Public transport systems around the world have benefited from the lessons learnt during the last 150 years. From station architecture to Harry Beck's much-loved maps, the Tube has set the standard that others follow.

Major achievements

To thrive for another 150 years, the Tube needs sustained investment for ongoing major improvements. These are critical to helping it cope with a growing population in London. Over the next 20 years the number of people living in the Capital is expected to increase by more than a million.

Record investment over the past decade has already triggered one of the largest and most complex engineering projects in the world, bringing with it tangible benefits for passengers in boosted capacity, new trains, more frequent services and record reliability (now 40 per cent better than 2007/08).

This year the Jubilee line recorded best ever performance levels during the Games and continues to sustain good performance following the completion of its upgrade. In addition, the Victoria line now runs 33 trains an hour during the peak – that's less than two minutes between trains – meaning passengers have faster, more reliable and comfortable journeys.

Future plans for the network include a challenging programme to further reduce delays by 30 per cent by 2015.

And the Tube is still growing. The Government has committed to a loan of up to £1bn that will allow TfL to fund a 3km extension of the Northern line from Kennington to Battersea via Nine Elms. Public consultations have confirmed there is strong support for this potential new link which could help kick-start the major regeneration planned for this area of south London.

Royal approval

The network received the Royal seal of approval in January when the Prince of Wales and Duchess of Cornwall visited Farringdon station, which is poised to become one of the busiest rail stations in Britain as a major hub for Crossrail services. In addition, the Queen, Duke of Edinburgh and Duchess of Cambridge visited Baker Street Tube station to meet staff and see improvement work progressing. The Queen also unveiled a plaque to launch one of the spacious new S-stock air-conditioned Tube trains currently being introduced on 40 per cent of the network.

'It is sustained investment that will enable us to create a network able to support London's growing population and maintain our city's vital role in the UK economy for the next 150 years.'

Mike Brown, Managing Director for London Underground and London Rail

Spotlight

Crossrail – Europe's largest construction project

Support economic development and population growth	Enhance the quality of life for all Londoners	Improve the safety and security of all Londoners	Improve transport opportunities for all Londoners	Reduce transport's contribution to climate change and improve its resilience	Support the delivery of the London 2012 Olympic and Paralympic Games

Crossrail's lead tunnelling machine has made great progress since beginning its dig in May at the Royal Oak Portal in west London. One year on, the machine – named Phyllis – has passed through Paddington and Bond Street in central London having completed more than 3.5km of new tunnels with the next stop Tottenham Court Road in sight.

Phyllis is one of eight giant custom-made digging machines constructing a marathon-equivalent 26 miles (42km) of tunnels between Royal Oak in west London and Woolwich in southeast London. Phyllis's sister Ada has also progressed to complete more than 3km of tunnels. Both machines are on track to reach their destination – Farringdon – by the end of 2013.

There are five machines currently operating and more than 10km of tunnels have already been built with digging continuing around-the-clock. They are weaving their way through the Capital's congested sub terrain, snaking between the existing Tube network, sewers, utilities and hidden rivers at depths of up to 40 metres. The push force of the machines is huge – equivalent to the force needed to lift more than 2,900 London taxis.

What's in a name?

The naming of tunnel boring machines after women is a long-held tunnelling tradition and the names of Crossrail's first six were inspired by British heritage and history. Ada and Phyllis are named after early computer scientist Ada Lovelace and Phyllis Pearsall, the creator of the London A-Z. The eastern tunnel machines Elizabeth and Victoria are named after Queen Victoria and Queen Elizabeth II; and Mary and Sophia in southeast London, are named after the wives of famous railway engineers Isambard Kingdom Brunel and Marc Isambard Brunel.

Tunnelling near you

People can find out where each of the machines are by visiting Crossrail's website www.crossrail.co.uk and using its 'Near You' mapping tool. It allows you to search for current works taking place. An indicative line shows the Crossrail route and by using the search tools you can zoom to a location and click on the tunnel boring machine cutterhead symbol to see progress.

Best use of raw material

More than one million tonnes of earth will be excavated during the construction of Crossrail's western tunnels between Royal Oak Portal and Farringdon station.

In May, the first load was transported by train to a site in Northfleet, Kent ahead of it being shipped to regeneration sites, including Wallasea Island off the coast of Essex. Here it will be used in the creation of a new RSPB nature reserve.

At the peak of tunnelling up to five freight trains a day will operate, carrying a total of 7,000 tonnes of earth and avoiding at least 50,000 lorry journeys in central London.

The Crossrail effect

Crossrail will run from Maidenhead and Heathrow in the west to Shenfield and Abbey Wood in the east, via the West End, City of London and Canary Wharf. The first services will run on parts of the network from 2015, with the entire route operational from 2019.

New Underground stations will be built in central London at Paddington, Bond Street, Tottenham Court Road, Farringdon, Liverpool Street and Whitechapel.

Currently the largest single infrastructure investment in the UK, Crossrail is expected to stimulate the economy by more than £40bn and has already created thousands of jobs in construction and through the wider supply chain.

'When Crossrail is completed it will provide essential new links, extra transport capacity and enable an additional 1.5 million people to reach London's major employment districts within 45 minutes.'

Andy Mitchell, Crossrail Programme Director

Spotlight

Cutting roadwork delays

Support economic development and population growth	Enhance the quality of life for all Londoners	Improve the safety and security of all Londoners	Improve transport opportunities for all Londoners	Reduce transport's contribution to climate change and improve its resilience	Support the delivery of the London 2012 Olympic and Paralympic Games

In June 2012 London became the first city in the UK to make utility companies pay for the amount of time they dig up the busiest roads.

TfL is now able to charge utility firms up to £2,500 a day for working in congested areas or at busy times.

Designed to make utility companies work more efficiently and reduce delays, the scheme covers more than half of TfL's red routes and applies to any utility or TfL works carried out on the road network.

Already the scheme is proving successful with more than 90 per cent of utility company roadworks now taking place outside of peak traffic hours. This is compared with around 30 per cent prior to the scheme's introduction. In addition, disruption from roadworks has been cut by more than a third.

By encouraging utility companies and highway authorities to carry out work overnight or during off-peak hours, all road users will benefit from more reliable journey times and fewer delays.

Any additional revenue raised, once operating costs have been recovered, will allow TfL to look at further measures to reduce roadwork delays.

These include advanced underground mapping techniques, 'key hole surgery' to maintain utility pipes while avoiding the need to completely dig up the road surface, new plating and bridging systems over openings in the road, temporary backfill materials for trenches, acoustic covers to enable noisy work to be undertaken at night, 'smart cameras' to monitor works and the use of rapid drying materials for quicker reinstatement of the roadway following works.

Better conduct
The latest version of the Mayor's Code of Conduct for Roadworks was released in June and was signed up to by TfL, London Councils (on behalf of London's boroughs) and the six major utilities, who committed to specific targets to reduce disruption from roadworks.

'Lane rental is a win-win as it will not only help traffic pump smoothly around the vital arteries of our road system, but also give us for the first time the chance to penalise disruptive works where it hurts – in the wallet – using the revenues to fund further innovative ways to keep London's roads moving.'

Boris Johnson, Mayor of London

Spotlight

The Emirates Air Line – a UK first

Launched on 28 June 2012, just ahead of the Games, the Emirates Air Line is the UK's first urban cable car.

The spectacular new transport link provides a vital connection between Greenwich and the Royal Docks, cutting journey times considerably. Also, this most recent addition to the Capital's transport network is supporting job creation and economic growth in Greenwich and Newham.

Since it opened around two million passenger flights have been made. And, on its busiest day during the Games – 11 August 2012 – almost 32,000 people used the Emirates Air Line.

Improving transport links

Offering a fast, regular service, the cable car links two world-class attractions – the O2, Europe's largest entertainment venue, and the ExCeL exhibition and conference centre.

The terminals – at Emirates Greenwich Peninsula and Emirates Royal Docks – are close to Tube and DLR lines, as well as bus and riverboat services.

A carefully designed ticketing structure means that the Emirates Air Line is attractive as a visitor experience, while offering multi-journey discounts to encourage regular use by the local community. During the 1.1km journey, the route takes in panoramic views of the City, Canary Wharf, historic Greenwich, the Thames Barrier and the Queen Elizabeth Olympic Park. The cable car is accessible to wheelchair users, cyclists and pedestrians.

Revitalising east London

The Emirates Air Line is a key part of the Mayor's ambitious plans to revitalise east London, create jobs and attract investment into the Capital.

Following the Games, and with Tube modernisation in place and Crossrail on the horizon, the local economy is progressing at an unprecedented pace as surrounding areas benefit from a number of regional projects.

Newham has seen a great deal of investment as one of the Olympic boroughs, and the Royal Docks, with its prime waterfront land and new Enterprise Zone, is fast becoming a highly desirable location in which to live, work or visit.

The Emirates Air Line has directly created around 130 jobs in operational and front-of-house roles. More than half the employees come from the local area.

Construction

Lead contractor, Mace, began construction in August 2011 and took just under a year to complete the main structure. Three soaring helix towers, manufactured in Bolton, were hoisted into place in sections by crane. At around 90m tall, the south tower is the largest of the three.

Twisted steel cabling, 50mm thick, stretches between the towers, across the river, and is tensioned to gain a minimum clearance of 55m above the Thames.

The cable cars were made by specialist contractor Doppelmayr. Thirty-four are in use at any given time, with each one able to carry up to 10 passengers. This means up to 2,500 people can travel per hour in each direction, the equivalent of 30 buses.

Emirates is sponsoring the new transport link in a deal worth £36m over 10 years. The project has also been granted £8m funding from the London 2007/13 European Regional Development Fund Programme, managed by the Greater London Authority (GLA) on behalf of the Department for Communities and Local Government.

Spotlight

Creating a climate for innovation

Support economic development and population growth	Enhance the quality of life for all Londoners	Improve the safety and security of all Londoners		Improve transport opportunities for all Londoners	Reduce transport's contribution to climate change and improve its resilience	Support the delivery of the London 2012 Olympic and Paralympic Games

Innovators, experts and Underground staff were given the chance to submit their ideas to improve the Tube network with the launch of TfL's Technology Innovation Portal in February.

The web-based portal is part of the Mayor's ambitions to use the latest technological solutions to address the challenges faced by London Underground. It covers six main areas – customer service, value and sustainability, best practice in project delivery, reliability through smart data, safety, and people.

Targeted at TfL staff and suppliers, as well as individuals working in the industry, and research academics in London and across the globe, the portal presents all areas where changes and improvements need to be made.

The list covers the full spectrum of modernisation, from minimising the transport network's impact on the environment by improving energy efficiency and reducing noise, to finding ways of running trains at higher speeds and reducing journey times and service disruptions.

New ways to improve the Tube

Issues such as how TfL can reduce theft, particularly cable and small plant theft, or how it can minimise the impact of snow, high temperatures, frost and falling leaves on services, are also addressed.

Contributors are invited to consider how passengers could be encouraged to adopt more sustainable travel patterns. Ideas are also invited to encourage high performance among staff to increase motivation, collaboration and flexibility.

Developed jointly by London Underground Capital Programmes and Asset Performance directorates, the portal is seen as a crucial tool in helping to meet the target of improving 2011 reliability levels by 30 per cent by 2015.

David Waboso, London Underground Capital Programmes Director, said: 'The TfL Innovation Portal provides the platform to engage with staff, suppliers and innovators on the technological challenges facing TfL, and will help harness and manage innovative solutions.

'We saw last year during a massive staff engagement programme that staff want to be involved to identify common needs and opportunities and collaboratively develop solutions for the whole business.'

Proposals submitted to the Innovation Portal team are being reviewed by technical experts, who use an expansive list of criteria to assess each one. These include business impact, innovation focus and ease of implementation.

Already the portal has proved fertile ground for a wave of new technical and practical ideas and is helping to create a busy and thriving climate for change.

'We'll find those pioneering solutions by getting everyone involved, and refusing to accept that anyone has a monopoly on good ideas.'
David Waboso, London Underground Capital Programmes Director

Spotlight

Coming full circle

Support economic development and population growth	Enhance the quality of life for all Londoners	Improve the safety and security of all Londoners	Improve transport opportunities for all Londoners	Reduce transport's contribution to climate change and improve its resilience	Support the delivery of the London 2012 Olympic and Paralympic Games

The much-awaited London Overground extension was declared open in December 2012, providing passengers with the Capital's first new orbital rail route in 128 years.

The new £75m extension, funded largely by the DfT with a £15m contribution from the Mayor and TfL, involved the construction of 1.3km of track southwest of Surrey Quays station.

It connects Clapham Junction, Wandsworth Road, Clapham High Street, Denmark Hill, Peckham Rye, Queens Road Peckham and Surrey Quays, then all stations to Highbury and Islington on the former East London line stretch of the network.

The first orbital service since the Circle line was completed in 1884, it is now offering fast, frequent and reliable connections and promising further growth in east London.

Improved services for all

Four trains an hour run on the new link, increasing the frequency between Surrey Quays and Dalston Junction to 16 trains per hour. It is estimated that around 12 million passengers will use the route every year.

Journey times between the south and east of the city have been cut significantly. Passengers can now travel from Clapham Junction to Surrey Quays in 24 minutes, while the connection to Canada Water and its interchange with the Jubilee line takes less than half an hour.

The Overground is opening up more areas of the Capital, increasing transport options and improving social inclusion. Thirty per cent of Londoners now live within a 15-minute walk of an Overground station.

In addition, accessibility has been boosted with station enhancements, including new lifts at Clapham Junction and Denmark Hill as part of the DfT's Access for All scheme. Passengers are also benefiting from plans to ensure staff are always available, while trains are running, at Wandsworth Road, Clapham High Street, Peckham Rye and Queens Road Peckham stations.

A success story

The Overground was launched in 2007 to improve connections between areas outside of central London. Between 2007 and 2011, TfL refurbished all stations and introduced 62 new trains. The route from West Croydon to Dalston Junction was opened in 2010, and extended to Highbury & Islington in 2011.

This hard work has reaped rewards and the network, which runs through 21 of London's 33 boroughs, has become one of the most popular and punctual rail services in the UK – passenger satisfaction levels, as measured by the autumn 2012 National Passenger Survey, stand at 93 per cent, joint highest among all UK franchised train operators. TfL's survey, which uses a different methodology, saw satisfaction reach a score of 82.

'This final connection across south London will be a boon for businesses and commuters alike and I congratulate all those who worked on this successful scheme.'

Patrick McLoughlin, Transport Secretary

Enhance the quality of life for all Londoners

Progress has been made on a range of projects to enhance the quality of life for Londoners:

- Major work has started at Tottenham Hale to return the gyratory to two-way traffic and make the area more accessible for pedestrians and cyclists. The £34m regeneration scheme also includes expanding the bus station to improve the interchange between bus and train services. In addition, by 2014, a new public space with trees and benches for local residents will be created as part of the Great Outdoors Programme to revitalise London's streets and squares

- TfL launched a competition to create new accessibility apps to make its real-time data available to a wider audience. The competition invites ideas from developers that can help make it easier for disabled and older people to travel around the transport network. The winners will be announced in September, when the new apps will also be released into the market

- Passengers continue to enjoy strong and steady reliability performance on the Tube. Latest figures (from 6 January to 2 March) show London Underground operated 97.5 per cent of scheduled train services. Customer satisfaction, measured quarterly through independent surveys of Tube passengers, also rose to a record high of 84 for Quarter 3 of 2012/13. The continuing trend of long-term improvement follows the success of the London Underground Reliability Programme

- To beat the summer heat, station-cooling works were completed ahead of the 2012 Games at two of London's busiest Tube stations. At Green Park, borehole cooling technology was used to source naturally cold water below the station to reduce temperatures at platform level. At Oxford Circus, the air-cooling scheme in the ticket hall was expanded to include all platform areas

- TfL's real-time bus information service 'Countdown' has dealt with more than 620 million requests in its first year, making millions of journeys easier. Each day Countdown deals with 1.6 million requests for information via the internet and smartphones, and 36,000 requests via text. Countdown now informs around 830,000 bus journeys each working day via digital channels. This equates to more than 12 per cent of all passengers

- TfL has completed the installation of 2,500 new and improved bus information roadside signs across the Capital. Bus arrival information is also freely available to apps developers. More than 30 smartphone travel apps are available to download

- Free travel on TfL services for 60-year-olds was restored from November 2012 with the introduction of the 60+ London Oyster photocard. The scheme is designed to bridge the gap after the age of eligibility for the Freedom Pass increased to state retirement age. Around 10,000 Londoners will be eligible for the TfL scheme each month

- TfL's plans to greatly improve bus stop accessibility reached their first milestone in February, two months early, when 70 per cent of stops were made fully accessible. Bus stop accessibility has improved dramatically across London, rising from 29 per cent in 2008 to current levels. An injection of £18m additional funding will ensure that at least 95 per cent are accessible by 2016

- The first phase of the Mayor's Clean Air Fund has improved air quality at a number of hotspots across London. The fund is just one way TfL is working to improve the Capital's air quality. The Government provided £5m for the first phase which focused on targeted, short-term measures to reduce local particulate matter (PM10) emissions and concentrations.

Spotlight

Quick and convenient payments

Since December, passengers have been able to use contactless payment cards (CPCs) for bus journeys. Fares are charged at the Oyster tariff rather than the full cash amount. Currently, there is no daily price cap but by the end of 2013, the scheme will be available on the Tube, DLR, London Overground and trams with daily and weekly price capping.

Meeting the needs of the modern traveller

There are still large numbers of people who try to board TfL transport without change or enough credit on their Oyster card, so paying with a credit, debit or similar payment card will make life simpler.

As with an Oyster card, no tickets are issued, and two or more people travelling together must use a separate card for payment. If an inspector asks to see a ticket, then he or she must be shown the contactless card that was used for payment.

Passengers can still check their journey details online and see where they have been and how much it cost them. TfL will never have access to their credit or bank account details.

TfL is the first major urban transport provider in the world to accept this method of payment.

A new kind of card

CPCs are debit, credit and charge cards that use radio frequency technology. All major credit card companies, including American Express, MasterCard and Visa, are now issuing CPCs bearing the special symbol.

Currently, the maximum amount for any single purchase using a CPC is £20, and many places already accept them.

- Every day, around 85,000 bus journeys are paid for using cash – and costing the passenger £1 per journey more than if they used an Oyster or paid by CPC
- About 500 people each day try to pay their fare with a high denomination note for which the bus driver does not have change
- A total of 36,000 people per day board a bus and find they have insufficient credit on their Oyster card
- Around 25 million bus journeys will be made by the end of 2013 using a CPC

'Bus passengers will realise significant savings by swapping from cash to a contactless payment card and getting the cheaper single Oyster fare, and we look forward to seeing the number of people using this payment option increase over the next year as the banking industry issues more contactless cards to their customers.'

Shashi Verma, Director of Customer Experience, TfL

Spotlight

Digital revolution goes underground

Support economic development and population growth | **Enhance the quality of life for all Londoners** | Improve the safety and security of all Londoners | Improve transport opportunities for all Londoners | Reduce transport's contribution to climate change and improve its resilience | Support the delivery of the London 2012 Olympic and Paralympic Games

More customers can now stay connected while on the move following the launch in June of WiFi internet access at 40 Tube stations.

Uptake was swift, with 100,000 people using the service in the first four weeks. The online revolution roll-out continued throughout the year and now 120 Tube stations offer passengers the opportunity to check real-time travel updates, tweet, post Facebook updates, send emails or simply surf the web.

TfL's partner for the service, Virgin Media, ran fibre optic cables to each planned WiFi station and London Underground installed wireless equipment to create internet hot spots at ticket halls, escalators, corridors and on platforms. Users can even connect while on a train at a station.

To prove the service's capacity to withstand the rigours of customer demand, engineers first simultaneously connected hundreds of mobile devices to a station's WiFi system. This reproduced the peak service surge that happens when a busy Tube train pulls into a station, delivering dozens of new internet-hungry passengers.

Free trial period for every customer

To introduce WiFi to passengers, the service was freely available to every Tube traveller. The unlimited access deal was due to finish after the Games but after delivering one million Tweets, Facebook posts, emails and web pages in just one week, the service was soon handling one million internet hits in 24 hours. The success saw Virgin Media extend the free browsing period to January 2013.

The Virgin Media WiFi access portal provides free, up-to-the-minute travel information, plus regional news and entertainment content, to all passengers. Beyond that, those already signed up as customers of Virgin Media Broadband, Virgin Pay Monthly Mobile, EE, T-Mobile, Orange or Vodafone can use any part of the internet for free. All other passengers can hop on to the web by buying a daily, weekly or monthly Virgin Media WiFi pass.

WiFi's Overground too

While TfL estimates some 800,000 people are now using web services on the Underground, Overground customers are also getting the opportunity to communicate digitally while on the move.

A partnership with The Cloud to bring WiFi to the Overground network is allowing passengers to browse, connect and share information online at ticket halls, corridors and platforms, with the first 60 minutes free every day.

> 'Londoners and visitors are loving our new WiFi service. With millions of smartphones, gadgets and tablets taken on to the Tube each day, the demand for data continues to grow.'
>
> **Kevin Baughan, Virgin Media's Director of Metro Wireless**

The WiFi timeline

- **June 2012** – the first 40 WiFi Tube stations include Oxford Circus, Stratford, Liverpool Street, Leicester Square and King's Cross, and 100,000 passengers go online underground in the first four weeks
- **July 2012** – WiFi reaches 80 Tube stations
- **October 2012** – with 660,000 Underground WiFi users, 72 stations connected, and a million web hits in 24 hours, the free unlimited web use is extended to January 2013
- **December 2012** – WiFi is available at 92 Underground stations including Camden Town, Clapham Common, Notting Hill Gate and Russell Square
- **February 2013** – 50 Overground stations go WiFi through The Cloud
- **March 2013** – WiFi coverage is available at 120 Tube stations
- **June 2013** – the last seven Overground stations will get WiFi coverage

Spotlight

Every journey matters

Support economic development and population growth	Enhance the quality of life for all Londoners	Improve the safety and security of all Londoners	Improve transport opportunities for all Londoners	Reduce transport's contribution to climate change and improve its resilience	Support the delivery of the London 2012 Olympic and Paralympic Games

This year, TfL continued to introduce a range of initiatives to make life easier for its customers.

One of these is the new Oyster online account which allows customers to manage payments quickly and easily.

Similar to online bank accounts, the system enables passengers to view their journey and fares history, monitor their pay as you go balance, see when their season ticket expires, and get a no-quibble refund if charged for an incomplete journey.

It shows up to eight weeks of journey history, so customers no longer need to contact the Oyster help desk to ask for a copy to be posted to them. The information can also be used to claim for work expenses.

There are plans to further improve the service by bringing in online refunds later this year.

In addition, TfL introduced one low-rate phone number for people to call to find out information on fares and refunds. The 0343 222 1234 number will progressively replace TfL's other telephone numbers over the next 18 months.

Shashi Verma, TfL's Director of Customer Experience, said: 'Oyster cards are used by millions of Londoners every day but we totally understand the frustration felt by the small percentage of customers who forget or are unable to touch out at the end of a journey.'

The right to complain

TfL is committed to being open about what it does and has, for the first time this year, published an annual complaints report.

The report (which covers 2011/12) documents the number of complaints per 100,000 journeys and allows TfL to benchmark its performance against other train operating companies who provide the same data to the Office of Rail Regulation.

TfL also analyses the type of complaints received and uses customer feedback to identify trends and tackle not only the root cause of major problems, but individual issues as well.

The report shows that London Overground has been the best performing train operating company since the first quarter of 2011/12 and London Underground is now only receiving just over one complaint per 100,000 journeys, while achieving the best customer satisfaction ratings in its history.

All about Oyster

Since Oyster was introduced in 2003, more than 40 million Oyster cards have been issued. In excess of eight million Oyster cards are in regular use and 10 million journeys are made using Oyster every day.

'The move to a local call rate telephone number for Oyster services is a very positive development and something which London TravelWatch has been advocating for a long time.

'We look forward to other TfL services introducing local call rate numbers in the near future.'

Janet Cooke, Chief Executive, London TravelWatch

Spotlight

No-idling campaign

Support economic development and population growth	Enhance the quality of life for all Londoners	Improve the safety and security of all Londoners	Improve transport opportunities for all Londoners	Reduce transport's contribution to climate change and improve its resilience	Support the delivery of the London 2012 Olympic and Paralympic Games

September 2012 saw the launch of the second phase of TfL's no-idling campaign, encouraging drivers to switch off their engines when stationary to reduce unnecessary emissions.

Surveys of the first phase of the campaign, targeted at central London roads with high levels of pollution, show an average drop of five per cent in unnecessary engine idling across all vehicles.

Engine idling is a significant contributor to pollution in the Capital. TfL estimates 59 per cent of drivers parking or loading at the side of the road in central London leave their engines idling unnecessarily. Switching off a vehicle's engine when it is stationary for more than a minute will not only reduce the amount of harmful pollutants such as PM_{10} and NO_x emitted, it will also reduce fuel consumption.

TfL undertook research at Millbrook Proving Ground that showed vehicle engines were able to withstand repeatedly being switched on and off more than 100 times in an hour with no loss of performance. This would far exceed the number of restarts that a vehicle would actually experience. TfL's testing disproves the commonly-held view that repeated stopping and restarting is either bad for engines or uses more fuel.

The no-idling campaign is targeted at vehicles waiting in traffic, parked or loading at the roadside, and uses radio and poster adverts to highlight the impact of pollution on health and show that small changes can make a big difference.

Reducing pollution levels can prevent or alleviate illnesses such as asthma and heart and lung conditions. Leading health and transport organisations such as Asthma UK, the Confederation of Passenger Transport (CPT) and the Freight Transport Association (FTA) have voiced their support for this campaign.

Funded by the DfT's Clean Air Fund, the campaign is part of a wider package of measures the Mayor is introducing to improve air quality by cleaning up emissions from buses, taxis and lorries, and encouraging cleaner cars.

Research has shown that if for just one minute each day, all drivers in central London switched off their engines, rather than leaving them idling unnecessarily, particulate emissions could be cut by around 290g per day, or at least 90kg per year.

This is the equivalent of a medium-sized diesel car travelling 2.5 million kilometres, or 62 trips around the world.

'We have been working hard to improve air quality in London and are pleased to launch the second phase of our campaign as part of the Clean Air Fund measures.

'We are working with our bus operators and other transport organisations, such as the Confederation of Passenger Transport and the Freight Transport Association, to reduce unnecessary engine idling in London.'

Garrett Emmerson, Chief Operating Officer for Surface Transport, TfL

Improve the safety and security of all Londoners

A wide range of projects and programmes were introduced or progressed during the year, aimed at improving safety and security on the transport network and the Capital's streets:

- A Facebook poll on the danger caused by distraction on London's roads was part of TfL's latest teen road safety campaign. Nine out of 10 youngsters said they had seen other teens using a mobile phone while crossing the road. This behaviour was just one of a series of distractions highlighted in TfL's 'Stop. Think! Live' campaign. Its posters showed the stark consequences of being involved in a collision while crossing the road. In addition, video bloggers used their 'vlogs' to spread the message via social media.

- Twenty medically trained British Transport Police (BTP) officers now work across the Tube network to help speed up the response when passengers are taken ill. Their special skills also help to cut delays. Passenger incidents account for a third of all delays on the Tube and people becoming ill on the train make up a large proportion of these. The team uses two fast response vehicles equipped with medical equipment including defibrillators and oxygen to assist people at the scene

- TfL is developing a safety action plan called 'Safe Streets for London'. It sets a new target of a 40 per cent reduction in the number of casualties on London's roads by 2020, which means reducing casualties by 1,500 each year. A Road Safety Reference Board will help develop and put in place the plan's proposed measures. TfL has already begun to implement a number of them. These include a review of key junctions, extending the Fleet Operator Recognition Scheme, a European-level campaign for safety features to be installed on freight vehicles and the upgrade of London's safety camera equipment. Safe Streets for London will be published in June 2013

- TfL launched an advertising campaign in November to reduce the number of motorcyclists killed or injured in London. Radio adverts, posters and an online campaign asked motorists to 'Look out for motorcycles'. The month-long push highlighted the need for drivers to take extra care on the road and to make sure they have seen motorcycle riders.

- TfL continued to warn the public about the dangers of taking illegal minicabs in the run up to the festive season. Although the number of cab-related sexual assaults has dropped 26 per cent in the past two years, the campaign aims to continue the positive trend. Appearing in cinemas, print and online, it promoted the new Cabwise mobile phone app, which offers a free and quick way to book a licensed minicab and get home safely

- London schools that have shown the greatest commitment to safer and more active travel for the journey to school were rewarded by TfL at an event at City Hall in November. The schools were invited to showcase their achievements in travel planning as part of TfL's STAR (School Travel Accredited and Recognised) scheme. More than a third of the Capital's schools are STARs, with 1,079 achieving an accredited travel plan that encourages a cut in car use and an increase in the number of children walking, cycling and taking public transport, as part of the school journey. Schools that are part of TfL's scheme have seen an average seven per cent increase in cycling and walking

Spotlight

The road ahead

Support economic development and population growth	Enhance the quality of life for all Londoners	Improve the safety and security of all Londoners	Improve transport opportunities for all Londoners	Reduce transport's contribution to climate change and improve its resilience	Support the delivery of the London 2012 Olympic and Paralympic Games

Junctions account for 20 per cent of the road space in London but are where 75 per cent of cyclist deaths have occurred over the past three years.

To make these locations safer, TfL is working with representatives from cycling and road user groups, London boroughs and the police to design better, safer junctions.

From an initial review of more than 500 junctions, TfL has identified 100 priority locations based on user feedback, cyclist numbers and collision data.

A range of options

For each junction, a number of solutions are being discussed. Improvements will include widening to allow extra space, creating more segregated cycle lanes and installing innovative 'early-start' traffic signals to allow cyclists to move on to the junction ahead of other traffic.

TfL plans to introduce more cycle-only paths or phases through junctions and gyratories, and more cycle bypasses around difficult junctions, where an attractive and safe route through them cannot be found.

Where possible, short stretches of segregated bike lane will be created on the approach to busy traffic lights to allow cyclists to pass stationary traffic and reach the advanced stop line at the front.

Rather than risk being stuck with schemes that don't work, TfL will trial changes to junctions using the type of temporary interventions seen on the Olympic Route Network during the Games.

With £100m in funding, TfL will be able to make improvements at a number of priority junctions by the end of 2013. Ten have already seen enhancements as part of the programme, including advanced stop lines, new cycle lanes, better traffic light phasing, blind spot mirrors and new surfacing.

Addressing blind spots

Sites have also been identified for the installation of around 100 cycle safety mirrors across central London. These will be positioned to cover blind spots at junctions. In some cases, pedestrian subways may be converted for use as safe cycling routes.

TfL is also refining its traffic modelling systems to take better account of cyclists. With the benefit of these, all future road and junction builds or redevelopments and transport schemes on the roads controlled by TfL will be subjected to improved forms of cycling safety assessment prior to approval.

Off-street innovation trials

TfL has started building the infrastructure for off-street trials of a range of innovative cycling improvements which would be new features on London's streets. Options being investigated include the 'Dutch-style' roundabout (with single-lane entry/exit points and a segregated track around the outside with cyclist priority) and low-level traffic signals at junctions, positioned at eye level for cyclists. Subject to Department for Transport (DfT) approval, these designs could be introduced on-street.

'Cycling on London's main roads is about 25 per cent safer than it was 10 years ago. But safety remains at the heart of what we do and is fundamental to this plan.'

Sir Peter Hendy CBE, TfL Commissioner

'I want cycling to be normal, a part of everyday life. I want it to be something you feel comfortable doing in your ordinary clothes, something you hardly think about.'

Boris Johnson, Mayor of London

Spotlight

Lowest ever crime rates on the transport system

Support economic development and population growth	Enhance the quality of life for all Londoners	Improve the safety and security of all Londoners	Improve transport opportunities for all Londoners	Reduce transport's contribution to climate change and improve its resilience	Support the delivery of the London 2012 Olympic and Paralympic Games

TfL's transport system is a safe, low-crime environment. More than 10 million passenger journeys are made on TfL's services each day with very few ever experiencing or witnessing crime. This year, there were just 8.9 crimes per million passenger journeys – down from 9.4 in the previous year. And the risk of becoming a victim of crime while travelling in London is now at its lowest level.

This year saw the lowest rates of crime on TfL's public transport network since records began in 2004/05. On the buses, in particular, there were just 8.6 crimes per million journeys – down from 9.3 the year before and less than half of what it was in 2005/06 when levels peaked and the rate was 21.6.

Across TfL's network, crime fell by 2.3 per cent compared with the previous year – 802 fewer offences. Robbery dropped by 17.6 per cent with 520 fewer offences, criminal damage was down by 15.7 per cent with 410 fewer incidents and violence against the person was reduced by 6.8 per cent with 527 fewer instances.

A problem-solving focus

These successes build on the significant reductions seen over recent years, which have been driven by a range of initiatives introduced with TfL's police partners. Examples include visible policing with more than 2,500 transport police and community support officers, an extensive CCTV network across the transport system, a problem-solving focus on local crime and disorder issues, targeted police operations, crime prevention and behaviour change campaigns, plus community engagement.

TfL's key investment in transport policing and commitment to improving safety and security, as well as transport infrastructure has ensured the system remains a low-crime environment.

These activities also helped to deliver a successful, safe and secure Games for London. Crime on the transport system was incredibly low during the events, down seven per cent compared to the average of the same period over the previous three years. This is particularly impressive given the opportunities for crime that the Games present in terms of increased passenger numbers, many of whom were unfamiliar with London and carrying both large sums of money and valuable items such as cameras and phones.

Despite low levels of crime on the system, increases have been seen in some crime types on some transport modes. These increases are largely attributable to an increase in theft driven by organised thieves targeting the London network, predominantly stealing mobile phones. TfL and its police partners are redoubling their efforts and have put measures in place to deal with those issues.

'We want everyone in London to travel with confidence, and we are working tirelessly with police colleagues to ensure that the network remains safe. The rate of crime on the transport system is at its lowest level as a result of our continued investment in transport policing. We are working with our partners to bear down on crime in those areas and crime types that haven't seen the same reductions that have been achieved elsewhere.'

Leon Daniels, Managing Director, Surface Transport and Chair of the London Transport Community Safety Partnership

Spotlight

Emergency unit gets the ‘blue light’

Support economic development and population growth | Enhance the quality of life for all Londoners | **Improve the safety and security of all Londoners** | Improve transport opportunities for all Londoners | Reduce transport’s contribution to climate change and improve its resilience | Support the delivery of the London 2012 Olympic and Paralympic Games

An initiative allowing TfL’s emergency vehicles to use blue lights is halving response times to major Tube incidents.

The specialist Emergency Response Unit (ERU) is now able to cut through London’s traffic more quickly and under the same ‘blue light’ and siren conditions used by the police, ambulance and fire services. The aim is to enhance passenger safety, as well as reduce disruption and delays on the network.

The ERU is operated by TfL and consists of more than 100 highly skilled staff. The trial involves a new fleet of three vehicles, nine fire engine-style trucks containing equipment to fix track, signals and trains, and other support vehicles. They also serve the London Overground, DLR and tram networks.

Using ‘blue lights’, the ERU can respond to incidents where public safety is at risk, such as obstructions on the track, broken-down trains, ‘person under a train’ incidents and many other emergency response and recovery situations. Its work also involves responding to signal failures and broken-down lifts.

Criteria for using blue lights on the ERU vehicle is the same as with any incident police attend – in that public safety must be at risk before they can be activated. The blue lights allow vehicles to disregard speed limits and other road signs when safe.

Passenger safety

Since the initiative began as a trial in February 2012, passenger safety has improved as engineers are able to get themselves and their equipment to the scene of incidents in about half the time. Trains stuck in tunnels are freed more quickly and by getting the line moving sooner, there have been fewer crowd safety issues in and around stations. Once at the scene, the officer driving the ERU vehicle performs regular policing duties and works alongside colleagues to resolve any crime or safety issues and help get the system running again.

The improvement in response times has led to the initiative being made permanent, contributing to the Tube Reliability Improvement Programme, which aims to reduce disruption to customers caused by incidents on the network. The programme includes other initiatives, such as being able to better predict when maintenance should be carried out to prevent unexpected equipment failure, both on the track and with signalling systems.

‘Having the capability to travel with blue lights and sirens will mean that the specialist engineers of our ERU can cut through heavy traffic and respond to incidents more quickly and so restore services more swiftly for our customers.’

Mike Brown, Managing Director for London Underground and London Rail

Improve transport opportunities for all Londoners

Work continued on a range of projects to widen the availability of transport for all Londoners:

- In December, TfL published its strategy to make the city even more accessible. 'Your Accessible Transport Network' outlines how the Capital is set to become even easier to travel around. It includes plans to further increase the number of step-free stations and accessible trains, invest more to improve access to buses and significantly enhance travel information

- From June, London Tramlink passengers enjoyed a 50 per cent increase in services on the busiest part of the network, with a new service through Croydon's town centre. The addition boosts the number of trams per hour between Therapia Lane and Croydon town centre from eight to 12 at peak times. The improved service follows a £16.3m investment in six new air-conditioned trams and forms part of a wider £23m regeneration of Croydon

- Paddington (Hammersmith & City) Tube station is being rebuilt to increase its capacity. When works are complete in 2014, customers will have a new station with step-free access. As well as a new entrance with access from Paddington Basin for the first time, improvements already delivered include a new station concourse, improved CCTV, two new stairways and extended platforms for new, longer air-conditioned trains. More than 60,000 people use the station every day and this will rise when Crossrail services start serving Paddington in 2018

- Exploring London on two wheels ramped up a gear with four new Barclays Cycle Hire routes. The routes, created by cycling blogger Andreas Kambanis of London Cyclist, vary in length and difficulty. They feature docking station information and offer turn-by-turn guidance through the Capital's favourite leisure haunts

- Major progress continued on improvements to the Northern line with new signalling up and running between West Finchley and High Barnet, paving the way for the rest of the upgrade on the Tube's busiest line. When the signalling system is switched on across the whole line in 2014, trains will run faster and closer together, bringing huge improvements to capacity with an extra 11,000 passengers per hour and reducing journey times by 18 per cent

- The state-of-the-art signalling and new trains on the Victoria line have reduced delays by a third in four years. The line now runs 33 trains an hour during the peak – that's less than two minutes between trains – meaning passengers have faster, more reliable and comfortable journeys. The new higher-capacity trains are more accessible with wider doors and more space for wheelchair users, and there is onboard audio and visual electronic information for hearing and visually impaired passengers, plus CCTV in every carriage

- Farringdon is the 66th Tube station to become step-free from street to platform level. Five new lifts have been installed providing direct access to all four platforms for wheelchair users and passengers with luggage or buggies. The new lifts follow the opening of a spacious new ticket hall in December 2011 and contribute to a raft of improvements as Network Rail redevelops the entire station

Spotlight

Cycle fever to reach southwest London

Support economic development and population growth	Enhance the quality of life for all Londoners	Improve the safety and security of all Londoners	Improve transport opportunities for all Londoners	Reduce transport's contribution to climate change and improve its resilience	Support the delivery of the London 2012 Olympic and Paralympic Games

Barclays Cycle Hire is going from strength to strength.

In March 2012, the central London scheme was expanded to Tower Hamlets and parts of Hackney to include Shoreditch, Canary Wharf, the Isle of Dogs, Wapping, Bow and up to the edges of the Queen Elizabeth Olympic Park.

The opening of this eastern extension saw the average number of weekly hires increase by 50 per cent, from 20,000 to 30,000. The final Friday of the 2012 Games alone saw a record-breaking 47,105 cycle hires.

Making it easier to cycle

Since 2000/01, cycling on TfL's road network has increased by 173 per cent, and the Mayor has set out his plans to build on this success by making cycling an integral part of the city's transport network.

Part of the strategy is to 'normalise' cycling by making it easy and comfortable for anyone to do. The Mayor has acknowledged that the Barclays Cycle Hire scheme has been enormously important in promoting cycling as a normal part of everyday life in the Capital.

He has also announced that he will double London's cycling budget to nearly £400m over the next three years. In 2015, more than £145m will be spent on cycling – roughly £18 a head, which is almost on a par with the Netherlands where cycling is hugely popular. Over the next 10 years, spending on cycling will total £913m, more than treble the previously planned levels.

Go west

The southwest expansion later this year will add more than 200 new docking stations across the boroughs of Wandsworth, Hammersmith & Fulham, Lambeth and Kensington & Chelsea.

Improvements are also to be made to the availability of bicycles and docking points in the existing area. By spring 2014, there will be more than 2,000 new bicycles and around 5,000 additional docking points, almost half of which will be south of the Thames.

There have been more than 20 million cycle hires since its launch in July 2010. It has also successfully introduced people to cycling, with 49 per cent of members saying that they started cycling in London because of it, and another 28 per cent reporting that they cycle more.

A new vision for cycling

As well as expanding and enhancing Barclays Cycle Hire, the Mayor and TfL want to make serious improvements to junctions and cycle safety, and establish a 'proper network of cycle routes throughout the city'.

His cycling vision, which was published in March, includes plans for a mainly segregated 15-mile route running across London from the western suburbs to Barking in the east. It is likely to be the longest substantially segregated continuous cycle route of any city in Europe.

New 'Quietways' will make the most of London's side streets, greenways and parks to create a city-wide network of low-traffic routes, particularly suited to new and younger cyclists. Additional Barclays Cycle Hire docking stations will complement the new cycle routes and Quietways to encourage their use.

Other long-term plans include a mainline terminus 'Cycle Superhub' which will have London's largest docking station capable of holding several hundred bikes, Barclays Cycle Hire tour routes have accompanying leaflets and phone apps for tourists, and a contactless payment system to integrate cycle hire with the rest of the transport network.

Spotlight

More travel access for everyone

Support economic development and population growth | Enhance the quality of life for all Londoners | Improve the safety and security of all Londoners | **Improve transport opportunities for all Londoners** | Reduce transport's contribution to climate change and improve its resilience | Support the delivery of the London 2012 Olympic and Paralympic Games

The past year has seen great progress in making sure everyone can access London's transport network.

More bus stops in the Capital are now easy to access, step-free signage has been introduced, and free travel reinstated to people turning 60 with the launch of the 60+ Oyster photocard.

A suite of 'how to' films has been produced to help disabled people unfamiliar with using public transport to use the ticketing and journey planning systems, and travel on buses, the Tube, rail, river services and taxis.

In February, two months ahead of schedule, TfL reached its target of making 70 per cent of London's 19,000 bus stops accessible to all passengers. All now have appropriate kerb heights, no obstructions and suitable clearways for buses to pull into. This figure will increase to 95 per cent by 2016.

TfL also decided to capitalise on the success of its step-free route signage for the 2012 Games by installing permanent replacement signs. The signs are a distinctive blue and will be used for all future signage of routes to lifts and level access boarding points.

Innovative measures such as raised platform sections (or humps) were installed in selected stations to aid access and boarding ramps were sited at a 16 Tube stations to bridge the step and gap to the train. Boarding ramps are now being provided at a further 19 stations.

In addition, five Tube stations became step-free during the year. These were Wembley Central, Farringdon, Gospel Oak, Hackney Central and Camden Road.

Oyster photocard and TfL also completed its third phase of installing wide-aisle gates. There are now 348 gates at 180 stations.

And London's 24,000 bus drivers also received more guidance to help them improve journeys for wheelchair and mobility scooter users – and other bus passengers with accessible needs – in the latest version of the awarding-winning Big Red Book.

> 'RNIB welcomes the investment made by TfL to make the Capital's transport network more accessible. Initiatives such as practical disability awareness training for staff, audio and visual announcements on buses, passenger assistance on the Tube and travel mentoring, are a necessity for disabled people to travel independently. These ideas should act as an example for other transport operators.'
>
> **Fazilet Hadi, Group Director, Inclusive Society, RNIB**

A commitment to improving accessibility

In December, TfL published 'Your Accessible Transport Network'. The document outlines a range of plans to significantly improve access for disabled people.

Accessibility apps

Apps are fast proving they can deliver great results for many bus and rail passengers who, owing to physical or communication barriers, are unable to use conventional means of accessing real-time public transport information.

In early 2013, TfL launched a competition inviting developers to submit ideas for a travel app.

Leon Daniels, Managing Director of Surface Transport at TfL, said: 'TfL has a great track record of helping passengers with different needs get the right information. We have audio and visual announcements on all Tubes, trains and buses. Now we want to go even further – using the most imaginative solutions and the latest technology to take the accessibility of London's transport network to the next level.'

The winning entries will receive development support from TfL

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

Efforts to reduce the impact of the transport network on the environment continued during the year as TfL worked to support targets set by the Mayor, including a 60 per cent cut in carbon dioxide (CO_2) emissions by 2025:

- Members of the electric vehicle charging networks, Source London and Source East, can now travel between the Capital and the east of England secure in the knowledge they can charge their electric vehicles across both schemes. With easy access to around 940 charge points, the collaboration will strengthen and encourage the adoption of electric vehicles in the region. London's charge point network is already the UK's largest at 1,196

- In November TfL asked Londoners for their views on proposed changes to the Congestion Charging scheme. The proposals included an increase in the penalty charge from £120 to £130, and the removal of the under-used retail (shops or petrol stations) payment channel. In May 2013, the penalty charge will be increased from £120 to £130 which will bring it in line with other traffic, bus lane and parking penalty charges within London. They also included the introduction of a new Ultra Low Emission Discount (ULED), which would replace the current Greener Vehicle Discount (GVD) and the electric vehicle discount. More than 19,000 vehicles currently registered for the GVD would be granted a 'sunset period' and would not pay the charge until 2015

- An innovative green wall has been installed at The Mermaid in Blackfriars to help reduce harmful pollution. The 120-metre square wall is made up of 15 plant varieties designed to capture and reduce airborne particulate matter (PM10) from nearby roads. This is TfL's second green wall following an earlier installation at Edgware Road Tube station, and forms part of a package of short-term measures introduced where PM10 levels are high

- TfL's efforts to accelerate the shift to lower carbon vehicles and fuels, and to reduce road transport emissions, were rewarded with two Low Carbon Vehicle Partnership Awards in January. TfL received a special award for Outstanding Achievement in Low Carbon Transport over the past decade as judges noted the expansion of its hybrid bus fleet. TfL also won Low Carbon Heavy Duty Vehicle Manufacturer of the Year, with Wrightbus, for the New Bus for London. The judges noted that, as well as being stunning and passenger friendly, the bus has impressive environmental credentials

- TfL has begun installing innovative pollution reducing equipment on 94 double-decker buses travelling through Putney as part of a £10m bus retrofit programme. The vehicles will be fitted with catalysts that remove up to 88 per cent of nitrogen oxide (NO_x) emissions to improve local air quality. This forms part of a wide programme to replace 900 buses in the fleet with the latest Euro 6 ultra-low emission buses by 2016.

Spotlight

Hybrid buses improve air quality, and reduce CO_2 emissions and costs

Support economic development and population growth	Enhance the quality of life for all Londoners	Improve the safety and security of all Londoners	Improve transport opportunities for all Londoners	**Reduce transport's contribution to climate change and improve its resilience**	Support the delivery of the London 2012 Olympic and Paralympic Games

As part of TfL's drive to improve the Capital's air quality, there are now more than 420 diesel-electric hybrid buses in service across the city, with more than 200 planned during 2013 (not including the forthcoming New Bus for London, which also uses hybrid technology). The total number will rise to 1,600 by 2016.

Different types of hybrid bus are currently being run by seven bus operating companies, serving 25 routes across London. The roll-out has exceeded TfL's Air Quality Strategy goal which called for 300 to be in service by the end of 2012.

Hybrid buses were first trialled in 2006 but, since then, the fleet has doubled year on year. The vehicles combine batteries and an electric motor with a conventional diesel engine.

Different hybrid systems are available – some have a more conventional transmission supplemented by an electric motor (parallel hybrid), others are entirely powered by electric motors with the diesel engine generating electricity (series hybrid). Regenerative braking is also used to charge the batteries when slowing down.

By combining batteries and an electric motor with a standard diesel engine, they use 30 per cent less fuel than conventional buses. NO_x emissions are reduced by 20 per cent and CO_2 emissions by 30 per cent, delivering great environmental benefits for Londoners.

This improved fuel economy has the added benefit of cutting costs. Hybrid buses are also quieter than conventional diesel vehicles, with a typical three decibel reduction in perceived sound levels.

'The benefits of these cleaner, greener buses only increase as we add more to our fleet. That's great news for Londoners and the health and wellbeing of all who live here.'

Mike Weston, London Buses Operations Director

'I am determined to clean up London's buses to improve quality of life. We are pioneering new technology to do so, including the wider introduction of these greener hybrid vehicles and my brand new bus for the Capital.'

Boris Johnson, Mayor of London

New Bus for London
In September 2012 the TfL Board approved the purchase of 600 New Bus for London vehicles.

The first tranche of 27 new buses is due to enter service in June 2013, with the final batch being delivered in 2016. This will contribute to bringing the Capital's hybrid bus fleet to 1,600. The new bus uses cutting-edge hybrid technology, offering twice the fuel economy and half the emissions of a conventional diesel bus.

Inspired by the iconic Routemaster, the new vehicle resurrects the hop-on, hop-off platform for maximum passenger convenience. The vehicles are being built by Wrightbus in Northern Ireland and many components, including engines, chassis, superstructure and seats, are made or assembled in the UK.

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

A wide range of transport initiatives and projects contributed to making the 2012 Olympic and Paralympic Games a major success and will leave a lasting legacy for the Capital:

- A timely upgrade transformed Heathrow Terminals 1,2,3 Tube station on the Piccadilly line into a key 2012 Games gateway. Step-free measures and refurbishment have created a more welcoming station with better access, a modernised ticket hall and travel information centre. It also has two new larger lifts and more ticket gates to help passengers move more quickly through the station

- The UK's first national Transport Coordination Centre (TCC) was set up to get athletes, officials and spectators to the Games and keep London and the UK moving. It also delivered a coordinated response to any incidents, and ensured all participants and spectators were re-routed around disruptions and provided with transport information and advice. The Games were the first time representatives from all key transport operators and authorities in London and the UK had joined together to coordinate transport operations and information from one location. The legacy of improved coordination and communication, particularly in the management of major events or issues such as extreme weather will continue into the future

- A range of social media and digital channels, including Twitter feeds and GetAheadoftheGames.com, were used by TfL during the London 2012 Games to provide real-time travel information and advice. With a million more visitors in the Capital, and the situation changing from hour to hour, social media proved one of the fastest ways to let people know how to avoid travel hotspots

- A £6.5bn investment in transport infrastructure ahead of the Games helped to ensure the best ever Paralympic Games with one of the most accessible transport networks in the world. TfL invested hundreds of millions of pounds in helping disabled passengers travel safely and with confidence. Improvements included more accessible trains, new lifts, platform humps, wide-aisle gates, tactile paving, audio-visual displays, planning and travel advice and specially trained staff

- Accessible boarding ramps introduced at 16 key Tube stations to help spectators using wheelchairs travel to the London 2012 Games have been retained following positive feedback from customers. More are being introduced and by summer 2013, the number will rise to 35. The ramps are used where there is a gap between the train and platform

Spotlight

The greatest show on earth

Support economic development and population growth	Enhance the quality of life for all Londoners	Improve the safety and security of all Londoners	Improve transport opportunities for all Londoners	Reduce transport's contribution to climate change and improve its resilience	Support the delivery of the London 2012 Olympic and Paralympic Games

Summer 2012 was a momentous time for London. The city hosted the largest Olympic Games to date with millions of people coming to see not only the sport but also the Capital's cultural delights. TfL's challenge was to achieve a great Games while still keeping London moving and open for business.

Meticulous preparations took place to ensure success, along with a massive programme of vital upgrades to transport services to increase passenger capacity.

TfL ran services later and more frequently; it introduced an enhanced maintenance regime, which included the deployment of rapid response teams to fix breakdowns quickly; it completed a comprehensive testing programme to ensure transport operations and systems were robust; and it worked with all staff to ensure they understood how important the Games were to the organisation and to London itself.

Integrated communications

An integrated communications strategy, including an ambitious Travel Demand Management (TDM) programme, provided robust, reliable information for businesses, spectators and regular travellers to help them plan journeys.

This included:

- Online planning toolkits
- Games travel maps and information
- Real-time updates
- Station hotspot messaging
- Workshops
- Advice to businesses to help manage deliveries and flexible working

The nationwide Get Ahead of the Games programme was launched and supported by an intensive marketing campaign, which included social media, to help people understand how the Games would affect them.

A summer of culture

As well as a great Games, the Capital flourished in summer 2012 with events, shops and restaurants attracting millions of Londoners and visitors.

Demand for transport services was high – not just around Games venues but in other parts of London too – with West End Tube stations busier than in 2011.

Businesses experienced varying degrees of impact from the Games, with surveys showing that more benefited positively than not. However, the real benefits will be seen in the longer term, with increased international awareness of London as a business and tourist destination.

Staff and Travel Ambassadors

To ensure exceptional customer service during the Games, operational staff worked more flexibly. They were supported by around 4,000 staff members who took time away from their regular jobs to work in customer-facing roles. Well-trained and kitted-out with striking tabards, iPads and iPhones, plus a range of customer travel planning tools, they were able to provide up-to-the minute information for travellers quickly and efficiently.

A more accessible London

Ahead of the Games, TfL invested millions of pounds to make it the most accessible ever. Passengers benefited from improved step-free provision, extra tactile platform-edge paving, audio/visual information displays, hearing aid induction loops and better information. Almost 40,000 wheelchair users attended the Games, with more than 2,000 travelling on the busiest days.

The improvements were well received and resulted in a much higher number of disabled users travelling on public transport than usual.

Spotlight

One Team Transport

Support economic development and population growth	Enhance the quality of life for all Londoners	Improve the safety and security of all Londoners	Improve transport opportunities for all Londoners	Reduce transport's contribution to climate change and improve its resilience	**Support the delivery of the London 2012 Olympic and Paralympic Games**

Collaboration was crucial to the smooth running of the Capital's transport networks during the Games. By working closely with other operators, the DfT, the GLA and the boroughs, TfL was able to handle an extra one million journeys a day on its rail and Tube services.

With the city taking centre stage, and a combined 10 million people expected to visit both the Olympic and Paralympic Games, it was vital that London delivered. As well as keeping the Capital open for business, the aim was to ensure spectators could walk cycle or use TfL services to reach competition venues. In essence, it was to be the 'public transport Games'.

More than 40 organisations were responsible for different aspects of Games transport, so working together as one integrated transport body was critical. And, this level of cooperation had never been attempted before.

An effective government structure was set up early in the planning process. This included establishing a nationwide Games Transport Board, chaired by TfL's Commissioner. It played a major role in planning and providing transport services. In addition, the UK's first ever national Transport Coordination Centre was set up for transport operators to share information and work together in response to incidents.

Managing demand

This coordinated approach, along with the successful TDM programme (see p.64), and close working with partners, businesses and freight operators, resulted in around one-third of regular passengers altering how they travelled. Across the Capital passengers were staggering journey times, avoiding hotspots and working flexibly. As a result, 83 per cent of spectators* rated their experience of getting home after an event as 'extremely good'.

The effectiveness of the relationships was a major factor in transport success and TfL is working to maintain and reinforce them in the future. The Games provided TfL with the opportunity to build on the lessons learnt and continue its TDM programme to ensure Londoners and visitors to the Capital carry on receiving fully integrated travel advice and excellent customer service in future. Forthcoming events which will benefit from it include the London stage of the Tour de France in July 2014, the Virgin London Marathon, and the Prudential Ride London weekend in summer.

The magenta army

Around 4,000 Travel Ambassadors volunteered their time to direct around 11 million visitors to event venues and help commuters avoid travel hotspots. Standing out in their magenta tabards, they became the life and soul of the Games and could be found across the network, from rail, Tube and bus stations to river piers and taxi stands. Most of the Ambassadors were office-based TfL staff – from department heads and planners to admin employees.

Proving extremely popular with the travelling public, they were out in force again at a number of major events, including the Notting Hill Carnival, and during the festive season, when they helped shoppers and tourists at the busiest West End stations and around Hyde Park.

Getting ahead

As part of its travel demand management work, TfL took advantage of social media and online services. The Get Ahead of the Games Twitter feed was popular with 62,594 followers and 6.29 million journeys were planned on TfL's Journey Planner, with 2.2 million bespoke trips planned on the Spectator Journey Planner.

As part of its work with businesses TfL issued 107 million travel advice emails and provided 611,000 employees with direct support. In addition, 42,000 information packs were mailed to London's businesses and around 2,979 businesses came to TDM workshops to find out more about how they needed to plan ahead.

*Source LOCOG customer surveys

> 'One of the undoubted highlights of the summer was the fantastic community spirited, magenta and pink clad Ambassadors, who gave up their time to welcome the world. I am delighted that we have delivered on our promise to build on the remarkable success of the volunteers during the Games with the expansion of the Ambassadors Programme.'
>
> **Boris Johnson, Mayor of London**

Spotlight

Keeping London moving

Support economic development and population growth	Enhance the quality of life for all Londoners	Improve the safety and security of all Londoners	Improve transport opportunities for all Londoners	Reduce transport's contribution to climate change and improve its resilience	Support the delivery of the London 2012 Olympic and Paralympic Games

An essential element for a successful Games is making sure the athletes, Games Family, officials and media can get to venues on time.

As part of its winning bid, London was required to design, install and operate the Olympic and Paralympic Route Networks (ORN and PRN). It was also committed to delivering Games Family journey times that were around 30 per cent better than normal London road journeys, and twice as reliable.

Built over a seven-week period – mostly at night – the ORN began operating just two days before the start of the Olympics. The PRN started on the day of the Paralympic Opening Ceremony. Throughout the Games, the networks helped make journeys easy and reliable for the Games Family while at the same time having minimal impact on other motorists. Both networks involved 'active traffic management' which meant changing the timings at 1,300 signals to enable a smoother flow of traffic.

Some sections of the ORN/PRN had Games Lanes which were reserved for official vehicles to ensure reliable journey times. These were managed flexibly and switched on and off using variable messaging signs. This maximised the road capacity available to motorists as they did not need to operate for 60 to 70 per cent of the time. As a result, all Games Family journey times and the rest of London was able to keep moving.

Keeping London stocked and serviced

With significant changes to the road network, it was essential that London's businesses and suppliers could continue to function as effectively as possible.

Ahead of the Games, TfL launched a major campaign to highlight the potential issues that could affect organisations in the area. This included consultancy programmes, workshops and presentations, a freight forum for operators to share information and a Games freight website with an online freight journey planner.

In addition, TfL worked with Government, the Traffic Commissioners, London boroughs and other partners to allow operators to work more flexibly and develop quieter out-of-hours delivery practices during the Games.

This meant that those who needed to drive could do so, helping to keep the Capital stocked and serviced through the Olympics and Paralympics.

A lasting legacy

The £6.5bn investment spent on major transport improvements to support the Games is now providing a significant legacy for the city and the UK.

All of these infrastructure schemes were delivered within budget – and well before the start of the Games:

- Line upgrades and new trains on the Underground, including 33 per cent more capacity on the Jubilee line and new state-of-the-art Victoria line trains
- The complete refurbishment of Stratford and King's Cross St. Pancras Tube stations, including the interchange with National Rail
- The extension and transformation of the London Overground network, with new air-conditioned trains, track and signalling systems
- Extending the DLR from Canning Town to Stratford International, and an extra carriage for all trains, increasing capacity by 50 per cent
- Additional step-free access, meaning around a quarter of Tube, half of Overground and all DLR stations are now step-free
- Manual boarding ramps introduced at 16 stations, new platform humps, completed lift upgrades and improved information
- Improvements to traffic signalling technology across London
- A range of improvements to walking and cycling facilities
- Changes to ways of working, including travel demand management, Travel Ambassadors and volunteers, plus closer working relationships with transport and freight operators, as well as businesses

Record journeys

There were record numbers of journeys during the Games on TfL's network with significant increases compared with 2011:

- 10.9 million DLR trips – up 88 per cent
- 10.5 million Overground journeys – up 48 per cent
- 101 million Tube journeys – up 28 per cent

The Games brought around 15,000 athletes and thousands of officials to London during the summer. Their journeys were around 30 per cent faster than normal and reliability targets were met. In addition, morning peak traffic in central London was lower than normal during the Olympics and Paralympics.

London's buses carried 86 million passengers during the Olympics and 63 million during the Paralympics – more than 2011, even with the necessary changes to the roads and bus network. Taxis also played a crucial role transporting spectators and Barclays Cycle Hire trips increased by 44 per cent.

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Highlights
2012/13 was another strong year for the Transport for London ('TfL') Group. Demand remained high across the network, especially on the Docklands Light Railway ('DLR') and London Overground ('LO'). This was buoyed by the 2012 Olympic and Paralympic Games, with London Underground experiencing its highest ever demand of 4.52m journeys in one day during the Olympics.

Work continued on major projects to improve and extend services across London. Projects included Crossrail, tube infrastructure and signalling upgrades and congestion relief projects. During the year, improvements delivered included:

- The first of the 7-car S-stock trains which entered passenger service on the Hammersmith & City line in July 2012.
- The delivery of the new 58-train 'S8' stock fleet on the Metropolitan line which completed in August 2012, since when reliability of the trains has been steadily improving.
- On 9 December 2012 London Overground's orbital network was completed with the opening of the final link between Clapham Junction and Surrey Quays.
- The Victoria line upgrade completed on 26 September 2012. In January 2013 the first post-upgrade completion timetable was introduced, providing an increase in weekly service volume on the line, with 33 trains per hour in the morning peak period – the most intensive service on the network.
- The Emirates Air Line which opened as London's newest form of passenger transport on 28 June 2012. It provides a cable car link across the River Thames between Royal Victoria Docks and North Greenwich.
- Since the launch of Barclays Cycle Hire in July 2010, users have made over 22 million hires with the busiest day on record so far made during the Games with 47,102 hires. Initial work has started on extending the scheme into South West London, adding over 2,000 additional bikes and hundreds of extra docking stations.

Financial Performance
In 2012/13, overall passenger demand again increased from the previous year with London Underground ('LU') passenger journeys up 5.0 per cent on 2011/12 and demand on the DLR increasing by 16.1 per cent to 100m journeys. Service demand on the bus network remained consistent at around 2.3bn passenger journeys. Fares increased by an average 4.2 per cent in January 2013, resulting in an increase in gross fares income to £3,834m.

Reliability, as measured by the amount of delays to customers, reached a new peak of performance with the number of Lost Customer Hours reduced by 20 per cent on last year's level, which itself was the lowest since the measure began in 1999. LU's delivery of record reliability while carrying ever-increasing numbers is mirrored in independent customer satisfaction surveys, which this year have reached a new high with 84 per cent of customers being satisfied with their most recent journey.

Gross expenditure increased by 5.8 per cent from £6,124m (before the write off of goodwill) to £6,481m, reflecting the increased level of activity.

The level of capital works being undertaken during 2012/13 remained high reflecting the critical ongoing investment in Crossrail and tube infrastructure required to increase capacity on the network. Capital expenditure during the year totalled £3,016m.

Funding sources
TfL's activities are funded from six main sources:

- Central government funding, which has been agreed to 2014/15 following the 2010 Spending Review
- A proportion of the growth in London's business rates
- Income from fares and the Congestion Charging scheme
- Prudential borrowing (the amount and profile of which also forms part of TfL's settlement with central government)
- Commercial development in TfL's estate, including advertising and property rental and development
- Third-party funding for specific projects

In addition, TfL received funding from the Olympic Delivery Authority ('ODA') and the London Organising Committee of the Olympic and Paralympic Games ('LOCOG') to meet the incremental costs associated with providing transport for the 2012 Games.

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

Revenue
Total revenue increased 7.5 per cent from £4,181m to £4,496m in 2012/13.

TfL's primary source of revenue comes from fares on the London Underground, Rail and Bus networks. This represents 85.3 per cent of all revenue generated. The January 2013 fares rise was kept to an average of RPI plus 1.0 per cent (4.2 per cent) in line with the December 2012 Business Plan. The Business Plan continues to assume that fares will rise at one per cent above RPI in each year of the Plan period. Fares decisions are taken annually by the Mayor.

Fares revenue on London Underground was £2,124m, 7.2 per cent up on 2011/12. This reflected a year-on-year increase in passenger journeys of 5.0 per cent combined with fare increases.

On the bus network, passenger journeys have been sustained at the highest levels since the late 1950s. In 2012/13 they were marginally down compared to the previous financial year, but marginally up after adjusting for the effects of extra Bank Holidays in 2012/13 and the leap year in 2011/12. The slight reduction in journeys was offset by fare rises to result in an overall increase in fares revenue of 6.2 per cent to £1,418m.

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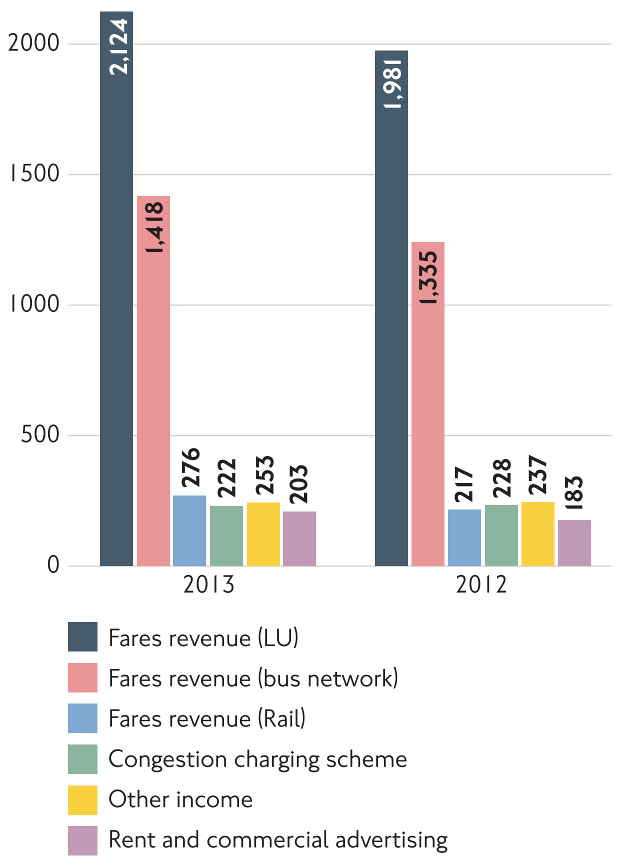
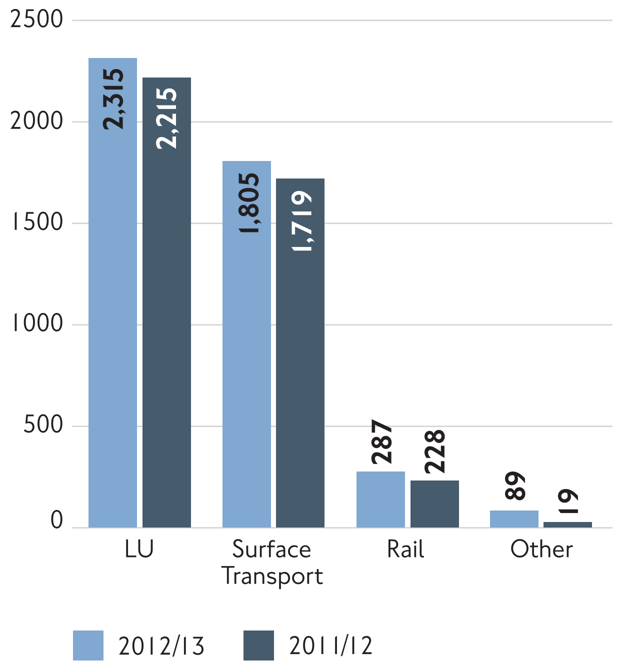
Revenue breakdown by type (£m)



Total revenue by business unit (£m)



Within Rail's revenue figures, London Overground's fares revenue of £125m for the year was up 34.8 per cent compared to 2011/12 reflecting the completion of the orbital network in December 2012. Passenger journeys continued to exhibit strong growth and totalled 124.6m for the year, the highest ever recorded, and a 22 per cent increase over 2011/12. Total fares revenue on the DLR increased by 24.7 per cent to £128m reflecting record demand across the whole network. Annual ridership of 100m passengers was 16 per cent higher than in the previous year and the highest level of annual passenger journeys in DLR's history. The Olympics accounted for 7.2m of the passengers carried during the year. The Emirates Air Line, meanwhile, carried just under two million passengers in the nine months it was open, with availability averaging 94 per cent. Fares revenue since opening on 28 June 2012 totalled £6m.

Congestion Charging revenue fell slightly from £227m in 2011/12 to £222m in 2012/13 reflecting reduced volumes as a result of the 2012 Games and road closures due to the Queen's Diamond Jubilee and an air collision in Battersea.

Other income increased reflecting monies received from LOCOG in respect of services provided in connection with the 2012 Games.

Government grants and other funding

The main source of grant income is the Transport Grant from the Department of Transport ('DfT') which comprises two elements: an investment grant, which supports delivery of the investment programme; and a general grant, to support TfL's operating activities. Other key funding streams include specific capital grants from the DfT and the Greater London Authority for the Crossrail project. Total general and capital grants receivable, excluding specific Crossrail funding, amounted to £3,440m (2011/12 £3,438m).

Prudential Borrowing

TfL raised further funds during the year and expanded its sources of borrowing to support its Capital Investment Programme.

Set out below is a table summarising movements in the value of borrowings during the year. In addition to the sources of financing in the table below, other sources of financing include the PFIs (see also notes 21 and 22 to the accounts).

Movement in borrowing £m

Opening borrowing at 1 April 2012	7,123	
European Investment Bank loan - Crossrail	200	The fourth instalment of a total facility of £1bn drawn down over six years. The loan has an average fixed interest rate of 4.9 per cent. Repayment of the loan is between 2026 and 2046.
£500m 30 year bond	500	TfL took advantage of positive market conditions during the year to refinance a portion of its short-term debt with longer term financing. To achieve these aims it successfully issued a £500m 30-year bond at an annual coupon of 3.875 per cent; a £500m 10-year bond at an annual coupon of 2.25 per cent; and a £300m 5-year bond at an annual coupon of 1.25 per cent.
£500m 10 year bond	500	
£300m 5 year bond	300	
Ex-Tube Lines and WARE debt repayments	(21)	Scheduled repayments were made during the year on debt acquired on the acquisition of WARE and Tube Lines.
Repayment of 1 year 'FRN'	(300)	The one year floating rate note taken out in 2011/12 was refinanced during the year with longer term bond debt.
Commercial paper	(757)	Rolling short-term commercial paper debt was refinanced during the year with longer term Bond debt.
Fair value movements, issue premia/ discounts and fee adjustments	(13)	
Closing borrowing at 31 March 2013 per the accounts	7,532	

The borrowing limit for the Corporation set by the Mayor for 2012/13 was £8,832m

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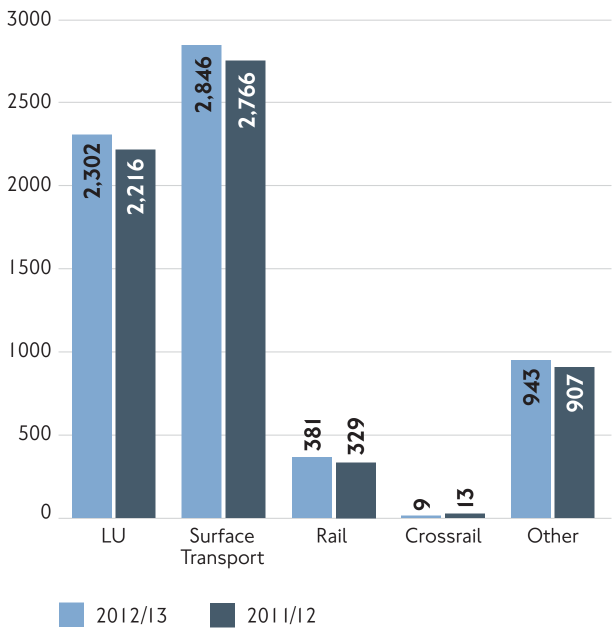
Uses of funding

Operational expenditure £m



Total operating expenditure increased by 4 per cent to £6,481m reflecting the increased activity across the Group.

Operating expenditure on the Underground increased by 3.9 per cent to £2,302m, reflecting the one-off costs of bringing the PFI Powerlink contract in house (which is expected to result in significant savings in future years).

Within Surface Transport, the Bus network subsidy has now fallen by more than a third over the last five years from £563m in 2008/09 to £377m in 2012/13, including a one-off cost of £17.3m in respect of Games costs for service changes and the Bus Workers Pay Settlement. London Bus Services Limited continues to ensure good value and cost control through its tendering and contract management processes.

Expenditure on London Rail increased by 15.8 per cent as a result of the capacity enhancements on London Overground and DLR and the extension of London Overground's orbital network between Clapham Junction and Surrey Quays.

TfL continued to support borough schemes that improve the quality, safety, accessibility and sustainability of the local travelling environment. The overall funding package for 2012/13 included £126m provided directly to the boroughs through the Local Implementation Plan programme. Other financial assistance included payments related to Taxicard and the Cycle Network.

Net interest and finance charges

Total financing and investment expenditure for the year was £781m, a reduction of £163m from the previous year. This fall primarily reflects the fact that the prior year included one-off premiums totalling £169m, incurred on the refinancing of £1,220m of Tube Lines debts.

Interest payable on direct borrowings increased 10.2 per cent to £288m, primarily as a consequence of the net increase in borrowings during the year of £409m. The average cost of borrowings also rose slightly due to the refinancing of low interest rate, short-term Commercial Paper debt with longer term Bond financing.

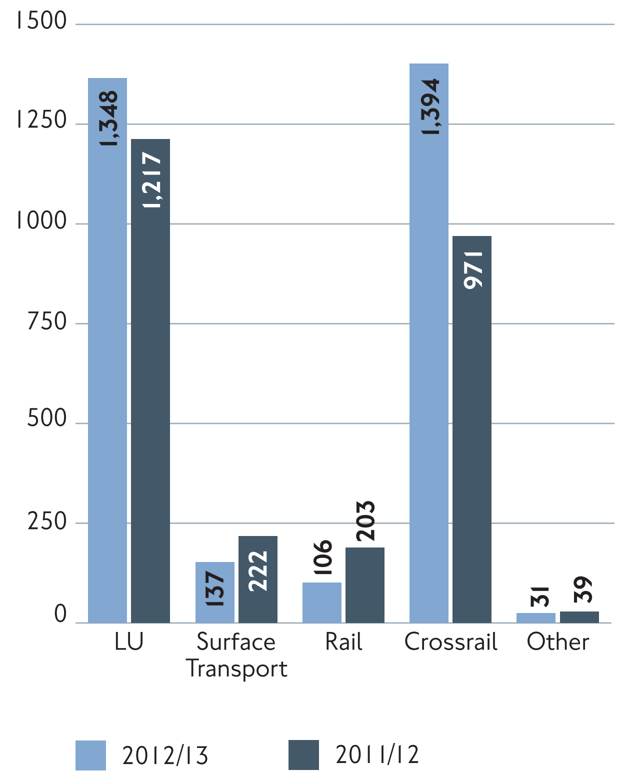
Interest payable on finance lease liabilities fell nearly 30 per cent to £64m reflecting the repayment of the Powerlink lease creditor. This however was offset to a degree by the £23m premium required as a result of the early settlement.

Financing and investment income totalled £529m, an increase of £87m on the previous year. This was primarily due to an increase in the fair value of the investment property portfolio, reflecting the revaluation of the Group's development site at Earl's Court, and realised gains on the disposal of investment properties. Offsetting these gains was a reduction in the expected return on pension assets which fell from £407m in 2011/12 to £343m as a result of lower expected rates of return for assets in the 2012 IAS 19 actuarial valuations.

Capital expenditure

Capital expenditure for the year was £3,016m.

Capital expenditure by business area (£m)



In London Underground, a number of significant projects were successfully completed during the year.

The first of the 7-car S-stock trains entered passenger service on the Hammersmith & City line in July 2012. Preparatory work undertaken in readiness for the introduction of these trains included lengthening of several station platforms and signalling improvement works at the key location of Hammersmith. The year has also seen extensive track replacement works taking place on the network, including a 14-day closure of the Hainault loop during which over three hundred metres of new drainage were laid, approximately 0.5 kilometres of track were replaced and eleven sets of points were renewed.

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Planning for the Victoria line upgrade began in 2005 with the project completed on 26 September 2012. A new and improved signalling system now controls the 47 new trains, allowing for higher frequencies of service and providing customers with reduced journey times.

The last of the old A stock trains on the Metropolitan line was withdrawn at the end of September 2012, since then the service has been provided entirely by the new 'S8' stock fleet. Deliveries of this 58-train fleet were completed in August, and reliability of the trains has been steadily improving.

In November 2012 six trains operated successfully on the Northern line between High Barnet and West Finchley using the new signalling system Transmission Based Trains Control (TBTC). All trains have now completed testing to operate under TBTC signalling. Good progress continues to be made in further TBTC installation on the line. The Northern line upgrade programme made significant progress, during a five-day blockade in December, on the Edgware and Bank branches of the line. This has enabled switching between the existing signalling and the new TBTC system for testing in these areas. The first tranche of the new TBTC signalling system is now operational in passenger service.

Within the Station Capacity Programme, the civil works on the Tottenham Court Road new ticket hall has been completed and fit-out has now started. At Victoria, a massive programme to stabilise the ground using a Jet Grouting technique is over halfway completed. Once completed, tunnelling works will start. At Bond Street, a high tech innovation in underpinning a Grade II structure has allowed the project to proceed without any major disturbance to the listed structure and its neighbour, the Tanzanian High Commission.

In Surface Transport, £137m was spent on capital works. The main activity has been the annual programme of asset replacement and renewal, ensuring London's highways infrastructure is maintained in a good state of repair, and during the year, the phase one project to strengthen the Hammersmith Flyover was completed. In addition, Surface Transport invests to enhance and develop London's transport infrastructure: the upgrade and expansion of the Countdown real time passenger information system at bus stops, the introduction of New Bus for London, works on the Tottenham Hale gyratory, the roll-out of pedestrian countdown technology at traffic signals and other enhancements to signals technology and associated communications infrastructure.

Capital expenditure of £106m was incurred by London Rail. This expenditure includes expenditure on the DLR and spend on the East London Line ('ELL') Phase 2 extension, the completion of which has provided an additional four trains per hour on the core East London line. These trains run to Clapham Junction via a new branch that leaves the ELL Phase 1 route to the south of Surrey Quays and joins the South London line to the north of Queens Road (Peckham). This new track has enabled a new route, between Highbury and Islington and Clapham Junction, and provided the final link to make London Overground a fully orbital railway.

During the year, £1,394m was spent on the Crossrail project, including £3.4m capitalised in respect of the acquisition of land and property interests in the Corporation. This takes the total spend on the project to date to £4.2bn including the acquisition of land and property.

Tunnelling commenced from Royal Oak Portal in May 2012. There are now five Tunnel Boring Machines ('TBMs') in operation. By the end of the financial year they had completed 11km of tunnelling, or nearly one quarter of all tunnelling on Crossrail. In addition to the TBMs there has been a steady increase in Sprayed Concrete Lining ('SCL') activities, creating station platform tunnels, passenger walkways and ventilation tunnels at Whitechapel, Liverpool Street, Bond Street and Tottenham Court Road.

In the course of the year, Crossrail awarded contracts for the new stations at Bond Street, Tottenham Court Road and Custom House; for shafts at Eleanor Street and Mile End; for the new central section signalling system and for the communications and control systems. The procurement of Rolling Stock and Depot was changed to be wholly publicly financed.

Cash and investments

Total cash, cash equivalents and deposits greater than three months held by the Group at 31 March 2013 amounted to £3,893m. The average yield from TfL's cash investments for 2012/13 was 0.52 per cent. This reflects the conservative nature of TfL's investment strategy and historically low interest rates. Most of the cash reflects usable reserves earmarked to fund TfL's future Investment Programme, including the Crossrail project. Earmarked reserves at 31 March 2013 amount to £1,752m, and an additional £1,982m is set aside for Crossrail.

Treasury risk management

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

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

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

TfL has considered the implications of its overall asset and liability management, with analysis continuing on its overall exposure to inflation and interest rates as they affect its commercial markets (passenger levels, fare revenues and costs) and in its financial activities (financial costs and investment returns on cash balances).

The results of this analysis led to TfL seeking and obtaining more diverse and flexible borrowing sources while maintaining a conservative investment strategy.

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

Counterparty credit

The Group's exposure to credit-related losses, i.e. non-performance by counterparties on financial instruments, is mitigated by setting a minimum required credit rating and applying financial limits based on credit ratings.
For 2012/13, TfL followed a conservative investment strategy, investing only with the UK Government and its executive agency, the Debt Management Office ('DMO'), UK Government guaranteed investments, selected financial institutions with high (investment grade) credit

ratings from a credit rating agency, selected supranational or sub-sovereign agencies with high credit ratings, and selected Money Market Funds with high credit ratings. The amounts that can be invested with the DMO were not limited, while amounts invested with other institutions were based on credit rating. The minimum rating was A-/A3. Credit ratings are obtained from the three main ratings agencies and are kept under constant review.

Funding and liquidity

To ensure continuity of affordable funding, debt maturities are spread over a range of dates that broadly equate to the lives of assets purchased with the proceeds of debt. The maturity profile of debt outstanding at 31 March 2013 is set out in Note 28 to the accounts. TfL has diverse sources of funding including: Capital Markets, bank loans and direct access to the UK Debt Management Office via the Public Works Loan Board. These diverse sources significantly mitigate funding and liquidity risk.

Interest rates

TfL has approved parameters of a minimum of 50 per cent fixed-rate on existing and forecast debt. The proportion of fixed-rate debt borrowings at the year end was 90 per cent; the remaining 10 per cent constituted Commercial Paper debt which, although it has fixed rates of interest, in practice behaves more like floating rate debt if used on a revolving basis.

Pensions

As at 31 March 2013, the majority of TfL's employees were members of the Public Sector Section of the TfL Pension Fund. Over the past year, the fair value of the assets of this Section increased by £779m. There was an increase in the actuarial value of future liabilities of £1,274m, due to the change in actuarial assumptions used at the respective dates, as well as an experience loss due to allowing for the results of the actuarial valuation as at 31 March 2012, and the accrual of benefits and interest. As a consequence the deficit of pension scheme assets over future liabilities for the Section increased by £495m.

The total deficit recognised in respect of funded and unfunded pension arrangements at 31 March amounted to £2,813m (2012 £2,293m).

The latest full actuarial valuation of the TfL Pension Fund was carried out as at 31 March 2012. The 2012 valuation showed a deficit on the Public Sector Section for funding purposes of £699m, and as a result of this the employers agreed a revised Schedule of Contributions with the Pension Fund.

Prospects and outlook

In December 2012, TfL published its updated Business Plan for the years to 2014/15. The investment in the Business Plan is designed to support London's projected population growth of over one million more people by 2021 and the accompanying growth in employment.

Many schemes are underway to address this challenge, including:

- Crossrail, which is expected to deliver a 10 per cent increase in rail-based network capacity in London.
- A rolling programme of Tube upgrades to provide the capacity London needs and reduce delays by 30 per cent by 2015.
- Capacity increases on the London Overground providing a 25 per cent increase to all lines.
- An unprecedented 10-year, multi-billion pound plan to transform London's road network including safety improvements at over 100 key junctions.
- Maintaining London's bus services and introducing the New Bus for London to make boarding and alighting faster.
- In June 2012, the Government committed to providing a UK Guarantee of up to £1bn to allow the Mayor to borrow at a preferential rate to fund the extension of the Northern line. The proposal includes plans to create two new stations at Nine Elms and Battersea Power Station.

Key risks

TfL's operations and ongoing Investment Programme are subject to a number of risks including:

- Exposure to various economic risks including revenue reductions, grant reduction and disruption to financial markets impacting TfL's ability to borrow. These could impact TfL's ability to deliver its Business Plan.
- The Business Plan assumes the achievement of significant secondary revenue, efficiencies and other cost savings. Underachievement would impact TfL's ability to deliver the Plan.
- TfL is subject to ongoing negotiations with trade unions, the outcomes of which could impact levels of service provision.
- Disruption to quality of service due to implementing complex major asset renewal and replacement programmes, frequent closures of lines or major stations and changes to operational procedures and resource requirements after completion of asset upgrades.
- Domestic or international terrorism and other threats to security which may cause casualties, disrupt operational service, damage assets and create fear in the travelling public.

These and other risks are managed through regular review of the assumptions underpinning the Business Plan and, where appropriate, adopting risk-specific mitigation strategies to limit TfL's exposure. TfL's maintains a general fund to ensure liquidity and protect from short-term effects which may arise from the crystallisation of specific risks.

Accounting statements

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

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

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

Under the GLA Act 1999, the Corporation is treated as a Local Authority for accounting purposes and the Statement of Accounts, which includes the individual financial statements of the Corporation, has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code), which is based on International Financial Reporting Standards.

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

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

The Statement of Accounts comprises:

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

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

Purposes of major schedules within the financial statements

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

Comprehensive Income and Expenditure Statement

This statement shows both the revenue received and the costs incurred in the year of providing services, in accordance with generally accepted accounting practices. Other comprehensive income and expenditure comprises unrealised gains and losses including revaluation gains on property, plant and equipment, fair value movements on derivative financial instruments and the actuarial loss on defined benefit pensions 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 of reserves 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 of reserves is those that TfL is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold, and reserves that hold timing differences shown in the movement in reserves statement line 'Adjustments between accounting basis and funding basis under regulations'.

The Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of TfL during the financial year. The statement shows how TfL generates and uses cash and cash equivalents by classifying cash flows as derived from operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of TfL are funded by way of fares income and grant income. 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.

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

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

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

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

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

David Goldstone
Chief Finance Officer
26 June 2013

Independent Auditor's Report to Transport for London

We have audited the financial statements of Transport for London ('the Corporation') and the Transport for London Group ('the Group') for the year ended 31 March 2013 which comprise the Corporation and Group Comprehensive Income and Expenditure Statements, the Corporation and Group Balance Sheets, the Corporation and Group Movement in Reserves Statements, the Corporation and Group Cash Flow Statements and the related notes, as set out on pages 88 to 209. These financial statements have been prepared under applicable law and the CIPFA / LASAAC Code of Practice on Local Authority Accounting 2012/13.

This report is made solely to Transport for London in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to Transport for London those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Transport for London for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities set out on page 84, the Chief Finance Officer is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Transport for London's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Group and the Corporation as at 31 March 2013 and of the Group's and Corporation's expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the Explanatory Foreword and Financial Review and the content of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we report by exception
We have nothing to report in respect of the following matters where the Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or

- any matters have been reported in the public interest under section 8 of the Audit Commission Act 1998 in the course of, or at the end of, the audit; or

- any audit recommendations have been designated under section 11 of the Audit Commission Act 1998; or

- we have exercised any other special powers of the auditor under the Audit Commission Act 1998

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

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

Auditor's responsibilities
We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Corporation has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

Basis of conclusion
We have undertaken our work in accordance with the Code of Audit Practice 2010 for Local Government Bodies, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Corporation has proper arrangements for:

- securing financial resilience; and

- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice 2010 for Local Government Bodies in satisfying ourselves whether the Corporation has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

We planned and performed our work in accordance with the Code of Audit Practice 2010 for Local Government Bodies. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Corporation had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion
On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, the Corporation put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

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

Wayne Southwood
For and on behalf of
KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
[ ] July 2013

Group Comprehensive Income and Expenditure Statement

Year ended 31 March	Note	2013 £m	2012 £m
Highways and Transport Services			
Gross income	1	**4,495.5**	4,180.9
Gross expenditure	3	**(6,480.5)**	(6,230.4)
Net cost of services	2	**(1,985.0)**	(2,049.5)
Other net operating (expenditure)/income	6	**(121.8)**	2.5
Financing and investment income	7	**528.9**	441.7
Financing and investment expenditure	8	**(780.5)**	(943.3)
Grant income	9	**5,463.6**	4,823.1
Surplus on the provision of services before tax	2	**3,105.2**	2,274.5
Taxation income	10	**0.2**	1.5
Surplus on the provision of services after tax		**3,105.4**	2,276.0
Other comprehensive income and expenditure			
Surplus on the revaluation of property, plant and equipment *	12	**21.4**	4.9
Movement in the fair value of derivative financial instruments *		**(117.0)**	(121.4)
Derivative fair value loss recycled to income and expenditure *		**4.8**	-
Movement in the fair value of available for sale financial investments *		**0.3**	-
Actuarial loss on defined benefit pension schemes *	29	**(517.7)**	(755.2)
		(608.2)	(871.7)
Total comprehensive income and expenditure		**2,497.2**	1,404.3

* There is no tax effect of these items on other comprehensive income and expenditure in the years ended 31 March 2012 or 2013 (note 10).

Group Balance Sheet

	Note	31 March 2013 £m	31 March 2012 £m
Long-term assets			
Intangible assets	11	**103.6**	114.0
Property, plant and equipment	12	**27,027.0**	25,106.0
Investment property	13	**427.8**	307.7
Long-term investments	17	**209.2**	-
Long-term debtors	16	**277.4**	164.4
		28,045.0	25,692.1
Current assets			
Inventories	15	**42.0**	37.6
Short-term debtors	16	**484.8**	523.3
Short-term derivative financial instruments	23	**-**	0.8
Short-term investments	17	**3,583.8**	2,582.9
Cash and cash equivalents	18	**100.4**	78.8
		4,211.0	3,223.4
Current liabilities			
Short-term creditors	19	**(1,991.8)**	(1,950.1)
Short-term borrowings and overdrafts	20	**(1,138.4)**	(2,179.0)
Short-term finance lease liabilities	21	**(68.9)**	(68.2)
Short-term derivative financial instruments	23	**-**	(8.0)
Short-term provisions	24	**(162.3)**	(140.8)
		(3,361.4)	(4,346.1)
Long-term liabilities			
Long-term creditors	19	**(60.0)**	(51.3)
Long-term borrowings	20	**(6,393.2)**	(4,943.9)
Long-term finance lease liabilities	21	**(821.8)**	(959.3)
Long-term derivative financial instruments	23	**(116.3)**	(74.0)
Long-term provisions	24	**(79.4)**	(134.7)
Retirement benefit obligation	29	**(2,813.2)**	(2,292.7)
		(10,283.9)	(8,455.9)
Net assets		**18,610.7**	16,113.5
Reserves			
Usable reserves		**3,892.0**	2,413.3
Unusable reserves	31	**14,718.7**	13,700.2
Total reserves		**18,610.7**	16,113.5

The notes on pages 96 to 209 form part of these financial statements.

These financial statements were approved by the Board on 3 July 2013 and signed on its behalf by:

Boris Johnson, **Chair of TfL**

Group Movement in Reserves Statement

	Note	General fund £m	Earmarked reserves £m	Street works reserve £m	Capital grants unapplied account £m	**Usable reserves £m**	Unusable reserves £m	**Total reserves £m**
At 1 April 2011		154.4	518.4	-	1,197.2	**1,870.0**	12,839.2	**14,709.2**
Movement in reserves during 2011/12								
Surplus on the provision of services after tax		1,509.8	-	-	-	**1,509.8**	766.2	**2,276.0**
Other comprehensive income and expenditure		-	-	-	-	**-**	(871.7)	**(871.7)**
Total comprehensive income and expenditure		1,509.8	-	-	-	**1,509.8**	(105.5)	**1,404.3**
Adjustments between accounting basis and funding basis under regulations	33	(1,165.2)	-	-	198.7	**(966.5)**	966.5	**-**
Net increase before transfer to/from earmarked reserves		344.6	-	-	198.7	**543.3**	861.0	**1,404.3**
Transfer to/(from) earmarked reserves		(336.6)	336.6	-	-	**-**	-	**-**
Increase in 2011/12		8.0	336.6	-	198.7	**543.3**	861.0	**1,404.3**
Balance at 31 March 2012		**162.4**	**855.0**	**-**	**1,395.9**	**2,413.3**	**13,700.2**	**16,113.5**
Movement in reserves during 2012/13								
Surplus on the provision of services after tax		2,814.0	-	-	-	**2,814.0**	291.4	**3,105.4**
Other comprehensive income and expenditure		-	-	-	-	**-**	(608.2)	**(608.2)**
Total comprehensive income and expenditure		2,814.0	-	-	-	**2,814.0**	(316.8)	**2,497.2**
Adjustments between accounting basis and funding basis under regulations	33	(1,921.4)	-	0.3	585.8	**(1,335.3)**	1,335.3	**-**
Net increase before transfer to/from earmarked reserves		892.6	-	0.3	585.8	**1,478.7**	1,018.5	**2,497.2**
Transfer to/(from) earmarked reserves		(896.9)	896.9	-	-	**-**	-	**-**
Increase in 2012/13		(4.3)	896.9	0.3	585.8	**1,478.7**	1,018.5	**2,497.2**
Balance at 31 March 2013		**158.1**	**1,751.9**	**0.3**	**1,981.7**	**3,892.0**	**14,718.7**	**18,610.7**

Earmarked reserves have been established to finance future capital projects, consistent with TfL's approved Business Plan, and form part of the overall funding available for the Investment Programme. In addition, reserves have been set aside to finance certain capital projects not included in the approved Business Plan but committed to by the Board. Earmarked reserves will be expended over the period to 31 March 2016 on a number of major capital programmes.

Group Statement of Cash Flows

Year ended 31 March	Note	**2013 £m**	2012 £m
Surplus on the provision of services after tax		**3,105.4**	2,276.0
Adjustments to surplus after tax for non-cash movements	30 a	**(1,912.5)**	(1,847.9)
Net cash flows from operating activities		**1,192.9**	428.1
Investing activities	30 b	**(1,008.5)**	(181.0)
Financing activities	30 c	**(162.8)**	(222.4)
Increase in net cash and cash equivalents in the year		**21.6**	24.7
Net cash and cash equivalents at the start of the year		**78.8**	54.1
Net cash and cash equivalents at the end of the year		**100.4**	78.8

Corporation Comprehensive Income and Expenditure Statement

Year ended 31 March	Note	2013 £m	2012 £m
Highways and Transport Services			
Gross income		**365.1**	336.0
Gross expenditure	3	**(1,104.7)**	(1,162.8)
Net cost of services		**(739.6)**	(826.8)
Other net operating expenditure	6	**(0.2)**	(2.4)
Financing and investment income	7	**230.3**	260.1
Financing and investment expenditure	8	**(293.0)**	(493.0)
Grant income	9	**5,451.6**	4,727.5
Grant funding of subsidiaries		**(1,835.1)**	(2,155.6)
Surplus on the provision of services		**2,814.0**	1,509.8
Other comprehensive income and expenditure			
Fair value movement in available for sale financial investments		**0.3**	-
Actuarial loss on defined benefit pension schemes	29	**(0.1)**	(12.7)
Total comprehensive income and expenditure		**2,814.2**	1,497.1

Corporation Balance Sheet

	Note	31 March 2013 £m	31 March 2012 £m
Long-term assets			
Intangible assets	11	**28.4**	51.8
Property, plant and equipment	12	**3,410.7**	3,433.2
Investment property	13	**13.7**	21.6
Investments in subsidiaries	14	**2,332.5**	1,122.5
Long-term investments	17	**209.2**	-
Long-term debtors	16	**7,142.0**	6,498.9
		13,136.5	11,128.0
Current assets			
Inventories	15	**3.8**	2.9
Short-term debtors	16	**390.0**	140.3
Short-term investments	17	**3,583.8**	2,574.3
Cash and cash equivalents	18	**6.5**	7.5
		3,984.1	2,725.0
Current liabilities			
Short-term creditors	19	**(654.1)**	(620.7)
Short-term borrowings and overdrafts	20	**(1,138.4)**	(2,179.0)
Short-term finance lease liabilities	21	**(8.6)**	(7.8)
Short-term provisions	24	**(151.6)**	(132.4)
		(1,952.7)	(2,939.9)
Long-term liabilities			
Long-term creditors	19	**(10.2)**	(14.5)
Long-term borrowings	20	**(6,409.8)**	(4,951.6)
Long-term finance lease liabilities	21	**(183.3)**	(187.1)
Long-term provisions	24	**(69.1)**	(112.6)
Retirement benefit obligation	29	**(103.4)**	(69.4)
		(6,775.8)	(5,335.2)
Net assets		**8,392.1**	5,577.9
Reserves			
Usable reserves		**3,892.0**	2,413.3
Unusable reserves	31	**4,500.1**	3,164.6
Total reserves		**8,392.1**	5,577.9

The notes on pages 96 to 209 form part of these financial statements.

These financial statements were approved by the Board on 3 July 2013 and signed on its behalf by:

Boris Johnson, **Chair of TfL**

Corporation Movement in Reserves Statement

	Note	General fund £m	Earmarked reserves £m	Street works reserve £m	Capital grants unapplied account £m	**Usable reserves £m**	Unusable reserves £m	**Total reserves £m**
At 1 April 2011		154.4	518.4	-	1,197.2	**1,870.0**	2,210.8	**4,080.8**
Movement in reserves during 2011/12								
Surplus on the provision of services		1,509.8	-	-	-	**1,509.8**	-	**1,509.8**
Other comprehensive income and expenditure		-	-	-	-	**-**	(12.7)	**(12.7)**
Total comprehensive income and expenditure		1,509.8	-	-	-	**1,509.8**	(12.7)	**1,497.1**
Adjustments between accounting basis and funding basis under regulations	33	(1,165.2)	-	-	198.7	**(966.5)**	966.5	**-**
Net increase before transfer to/from earmarked reserves		344.6	-	-	198.7	**543.3**	953.8	**1,497.1**
Transfer to/(from) earmarked reserves		(336.6)	336.6	-	-	**-**	-	**-**
Increase in 2011/12		8.0	336.6	-	198.7	**543.3**	953.8	**1,497.1**
Balance at 31 March 2012		**162.4**	**855.0**	**-**	**1,395.9**	**2,413.3**	**3,164.6**	**5,577.9**
Movement in reserves during 2012/13								
Surplus on the provision of services		2,814.0	-	-	-	**2,814.0**	-	**2,814.0**
Other comprehensive income and expenditure		-	-	-	-	**-**	0.2	**0.2**
Total comprehensive income and expenditure		2,814.0	-	-	-	**2,814.0**	0.2	**2,814.2**
Adjustments between accounting basis and funding basis under regulations	33	(1,921.4)	-	0.3	585.8	**(1,335.3)**	1,335.3	**-**
Net increase before transfers to/from earmarked reserves		892.6	-	0.3	585.8	**1,478.7**	1,335.5	**2,814.2**
Transfer to/(from) earmarked reserves		(896.9)	896.9	-	-	**-**	-	**-**
Increase in 2012/13		(4.3)	896.9	0.3	585.8	**1,478.7**	1,335.5	**2,814.2**
Balance at 31 March 2013		**158.1**	**1,751.9**	**0.3**	**1,981.7**	**3,892.0**	**4,500.1**	**8,392.1**

Earmarked reserves have been established to finance future capital projects, consistent with TfL's approved Business Plan, and form part of the overall funding available for the Investment Programme. In addition, reserves have been set aside to finance certain capital projects not included in the approved Business Plan but committed to by the Board. Earmarked reserves will be expended over the period to 31 March 2016 on a number of major capital programmes.

Corporation Statement of Cash Flows

Year ended 31 March	Note	**2013 £m**	2012 £m
Surplus on the provision of services after tax		**2,814.0**	1,509.8
Adjustments to surplus after tax for non-cash movements	30 a	**(2,100.1)**	(1,208.8)
Net cash flows from operating activities		**713.9**	301.0
Investing activities	30 b	**(871.4)**	(670.4)
Financing activities	30 c	**156.5**	378.4
Increase in net cash and cash equivalents in the year		**(1.0)**	9.0
Net cash and cash equivalents at the start of the year		**7.5**	(1.5)
Net cash and cash equivalents at the end of the year		**6.5**	7.5

Accounting Policies

a) Code of practice

TfL is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 (the 2011 Regulations), which those Regulations require to be prepared in accordance with proper accounting practices. The Statement of Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code), as amended by the 2012/13 Code Update, 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 2011 Regulations.

The Code for 2012/13 is based on International Financial Reporting Standards adopted by the EU ('Adopted IFRS') and requires that local authorities prepare their financial statements in accordance with the International Accounting Standards Board 'Framework for the Preparation and Presentation of Financial Statements' as interpreted by the Code.

The Code is compliant with Adopted IFRS except for:

Capital grants and contributions

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

FRS 30 Heritage Assets

The Code has adopted the requirements of FRS 30 Heritage Assets. The Group has taken the exemption available under the Code to hold heritage assets at historical cost less any accumulated depreciation or impairment losses and has made additional disclosures on its heritage assets as required by the standard. There is no equivalent standard for accounting for Heritage Assets under Adopted IFRS.

IAS 36 Impairment of Assets

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

Defined benefit plans

For certain Group defined benefit plans the Corporation 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 under para 6.4.1.8 of the Code, these schemes are accounted for in the Corporation as defined contribution schemes. The Corporation's contributions are charged to the Comprehensive Income and Expenditure Statement as incurred.

b) Basis of preparation

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

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

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

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

c) Basis of consolidation

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

The Group financial statements presented with the Corporation's financial statements consolidate the individual financial statements of TfL and its subsidiary undertakings.

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

d) Going concern

The financial statements have been prepared on a going concern basis as it is considered by the Board that TfL will continue in operational existence for the foreseeable future and meet its liabilities as they fall due for payment.

e) The application of new and revised standards

The provisions of Amendments to IFRS 7 Disclosures - Transfers of Financial Assets have, for the first time, been incorporated into the Code. These amendments increase the disclosure requirements for transactions involving transfers of financial assets and include a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. Where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood.

The application of the above Amendments does not impact the amounts reported for the current and prior years, but purely acts to increase disclosure for relevant transactions.

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

The following revisions to IFRS are expected applicable in future periods, subject to endorsement where applicable. These have been issued and, with the exception of IFRS 9, adopted by the EU, but have not been applied in these financial statements:

- IFRS 9 Financial Instruments (mandatory for year commencing on or after 1 January 2015)
- IFRS 10 Consolidated Financial Statements (mandatory for year commencing on or after 1 January 2013)
- IFRS 11 Joint Arrangements (mandatory for year commencing on or after 1 January 2013)
- IFRS 12 Disclosure of Interests in Other Entities (mandatory for year commencing on or after 1 January 2013)

Accounting Policies (continued)

- IFRS 13 Fair Value Measurement (mandatory for year commencing on or after 1 January 2013)

- IAS 27 (as revised in 2011) Separate Financial Statements (mandatory for year commencing on or after 1 January 2013)

- IAS 28 (as revised in 2011) Investments in Associates and other Joint Ventures (mandatory for year commencing on or after 1 January 2013)

- Amendments to IAS 32– Offsetting Financial Assets and Liabilities (mandatory for year commencing on or after 1 January 2014)

- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income (mandatory for year commencing on or after 1 July 2012)

- Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities (mandatory for year commencing on or after 1 January 2013)

- Amendments to IAS 12 Deferred Tax - Recovery of Underlying assets.

- Annual Improvements to IFRSs 2009-2011 Cycle (mandatory for year commencing on or after 1 January 2013). These improvements change the guidance surrounding the capitalisation of borrowing costs on assets already under construction as at the date of transition to IFRS, stipulating that interest should be capitalised on these projects from 1 April 2009. Under its existing accounting policies the Group has only capitalised interest on qualifying assets for which construction commenced post 1 April 2009. If the standard had been effective in 2012/13, it would have reduced financing and investment expenditure and increased the surplus on provision of services for the year by approximately £33.1m, and increased the accumulated net book value of property, plant and equipment by £64.1m.

- IAS 19 (as revised in 2011) Employee Benefits (mandatory for year commencing on or after 1 January 2013). The amended version of IAS 19 replaces the interest cost and expected return on plan assets with a finance cost component comprising net interest on the net defined benefit pension deficit calculated using the discount rate currently used to measure defined benefit pension liabilities. If this amendment had been applied in 2012/13, pre-tax profit would have been approximately £69.0m lower, primarily because the discount rate is lower than the expected return on plan assets. The net pension deficit would have been unchanged.

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

g) Discontinued operations

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

h) Uses of estimates and judgements

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Valuation of acquired businesses

Judgement and estimation is required in the identification and assessment of the fair value of separable assets and liabilities on business acquisitions. Judgement and estimation is also required in determining any potential contingent consideration payable in respect of acquisitions.

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 29.

Useful economic life of property, plant and equipment

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

Derivative financial instruments

The Group uses derivative financial instruments to manage certain exposures to fluctuations in foreign currency exchange rates and interest rates. In making its assessment and judgements, the Group assesses the effectiveness of the derivatives and changes in their fair values. Note 28 and the accounting policies note on financial instruments (note ad)) 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.

Determining whether an arrangement contains a lease

When determining whether an arrangement contains a lease, as required by IFRIC 4, judgement needs to be exercised in determining whether the arrangement conveys the right to use an asset. Given that this could result in additional finance leases being recognised on the balance sheet this can have a significant effect on the reported financial position of the Group.

Classification of investment properties

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

Accounting Policies (continued)

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

Provisions
Judgement and estimation techniques are employed in the calculation of the best estimate of the amount required to settle obligations, including determining how likely it is that expenditure will be required by the Group. This can be very complex, especially when there is a wide range of possible outcomes. More details are given in note 24.

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

Office buildings
Office buildings held within property, plant and equipment are held at fair value (open market value on an existing use basis), as estimated by internal and external professionally qualified surveyors in accordance with Royal Institution of Chartered Surveyors (RICS) Guidelines. Movements in the fair value of the property are taken to the revaluation reserve.

i) Revenue recognition
Revenue includes income generated from the provision of travel, the letting of commercial advertising space and the rental of commercial properties.

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

Fares revenue
Revenue from annual or periodic tickets and travel cards is recognised in the Comprehensive Income and Expenditure Statement on a straight line basis over the period of validity of the ticket or travel card. Revenue received in advance and not recognised in the Comprehensive Income and Expenditure Statement is recorded in the balance sheet and held within current liabilities- receipts in advance for travel cards, bus passes and Oyster cards. Oyster pay as you go revenue is recognised on usage and one day travel cards and single tickets are recognised on the day of purchase.

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

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

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

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

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

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

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

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

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

- London Underground (including former Metronet businesses) – Provision of passenger rail services and refurbishment and maintenance of certain parts of the rail network
- Tube Lines – Refurbishment and maintenance certain parts of the rail network (Jubilee, Northern and Piccadilly lines)
- London Rail – Provision of passenger rail services
- Surface Transport – Provision of surface transport, maintenance of London's roads, and cycle hire
- Corporate Directorate – Provision of TfL wide services, property investment, commercial advertising, and the development of corporate strategy and policy, including grants made to fund the operations of the Museum

k) Grants and other funding
The main source of grant is Transport Grant, which is non-specific in that it is applied both to maintaining services and to fund capital expenditure. Other key funding streams include specific capital grants from the Department for Transport and the Greater London Authority for the Crossrail project (including the Business Rate Supplement) and grants for transport related works that took place in preparation for the London 2012 Olympic and Paralympic Games from the Olympic Delivery Authority.

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

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

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.

l) Financing and investment income and expenses

Financing and investment income comprises interest income on funds invested, premiums received on the early settlement of borrowings, and the expected return on pension assets. 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 interest expense on borrowings and finance lease liabilities and the expected cost of pension scheme defined benefit obligations. Also included are premiums paid on the early settlement of borrowings and interest rate derivatives. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the Comprehensive Income and Expenditure Statement using the effective interest rate method (see also note u) Borrowing costs).

m) Taxation

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

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

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

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

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

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

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

n) 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.

o) Intangible assets

Goodwill

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

Other intangible assets

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

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

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

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

Software costs	Straight-line	3-5 years

p) Property, plant and equipment

Recognition and measurement

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

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

Office buildings are valued at fair value (open market value on an existing use basis), by internal and external professionally qualified surveyors in accordance with Royal Institution of Chartered Surveyors (RICS) Guidelines. Valuations are performed on a rolling basis, with approximately 75 per cent of the portfolio by value being valued each year. Between formal valuations fair values are adjusted by the application of annual indexation. Movements in the fair value of the property are taken to the revaluation reserve.

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

Accounting Policies (continued)

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.

When 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

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

Depreciation

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

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

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

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

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

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

q) Heritage assets

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

r) Investment property

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

Investment property is measured initially at cost, including transaction costs, and subsequently measured at fair value with any change therein recognised in the Comprehensive Income and Expenditure Statement. 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.

Properties are valued by internal and external professionally qualified surveyors in accordance with Royal Institution of Chartered Surveyors (RICS) Guidelines. Properties with a carrying value in excess of £5,000,000 are valued annually. Properties with a value in excess of £250,000 but less than £5,000,000 are revalued every three years. Properties with a value in excess of £100,000 but less than £250,000 are revalued every five years. Between formal valuations fair values are adjusted by the application of annual indexation.

s) Inventories

Inventories consist primarily of fuel, uniforms, and materials required for the operation 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.

t) 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.

u) 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'). At the transition date, the majority of the projects funded by borrowing, including Crossrail, had already commenced and are therefore not impacted by IAS 23.

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

v) 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.

w) 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 note ad) below for hedging accounting policies).

x) Leases (the Group as lessee)

Leased assets

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

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

Lease payments

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

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

Determining whether an arrangement contains a lease

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

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

y) Leases (the Group as lessor)

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

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

z) 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 PFI assets as items of property, plant and equipment together with a liability to pay for them. The fair values of services received under the contract are recorded as operating expenses.

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

a) The service charge

b) Repayment of the capital

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

Services received

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

Assets

Assets are recognised as property, plant and equipment or intangible assets when they come into use. The assets are measured initially at fair value in accordance with IAS 17 Leases.

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

Liabilities

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

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

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

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.

Off balance sheet PFI and PPP arrangements which are accounted for as operating leases are dealt with as detailed in note x) above.

aa) Impairment of non-financial assets

At each balance sheet date, the Group reviews the carrying amount of those assets that are subject to amortisation to determine whether there is an indication that any of those assets has suffered an impairment loss. 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.

Accounting Policies (continued)

An impairment review is completed for all assets on an annual basis and additionally when there is an indication that an asset may be impaired.

ab) Employee benefits

Defined benefit plans

The majority of the Group's employees are members of a number of 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 defined benefit obligations 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. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the Comprehensive Income and Expenditure Statement, actuarial gains and losses. Generally, amounts are charged to operating expenditure on the basis of the current service cost of the present employees that are members of the schemes.

Defined benefit plans – 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. The Group's contributions are charged to the Comprehensive Income and Expenditure Statement as incurred.

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 also made to the pensions of certain employees who retired prior to the index linking of pensions. The Group augments the pensions of certain employees who retire early under voluntary severance arrangements. 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.

ac) Reserves

Reserves consist of two elements, usable and unusable.

Usable reserves are those that can be applied to fund expenditure. They are made up of the general fund, earmarked reserves, the capital grants unapplied account and the street works reserve. Amounts in the street works reserve represent the net income/(expenditure) generated from lane rental revenues. These net revenues may only be employed in funding the reduction of disruption and other adverse effects caused by street works.

Unusable reserves cannot be applied to fund expenditure as they are not cash backed. They include the capital adjustment account, pension reserve, the hedging reserve, the available for sale reserve, the financial instruments adjustment account, the retained earnings reserve in subsidiaries and the fixed asset revaluation reserve.

ad) Financial instruments

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

- Financial assets at fair value through the Comprehensive Income and Expenditure Statement;
- loans and receivables ; or
- available for sale financial assets.

Financial liabilities within the scope of IAS 39 are classified as either financial liabilities at fair value through the Comprehensive Income and Expenditure Statement or financial liabilities measured at amortised cost.

The Group determines the classification of its financial instruments at initial recognition and re-evaluates this designation when circumstances dictate. When financial instruments are recognised initially, they are measured at fair value, being the transaction price plus any directly attributable transactional costs. The exception to this is for assets and liabilities measured at fair value, where transaction costs are immediately expensed.

The subsequent measurement of financial instruments depends on their classification as follows:

Financial assets at fair value through the Comprehensive Income and Expenditure Statement (held for trading)

Financial assets are classified as held for trading if they are acquired for sale in the short term. Derivatives are also classified as held for trading unless they are designated as hedging instruments. Assets are carried in the balance sheet at fair value with gains or losses recognised in the Comprehensive Income and Expenditure Statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, do not qualify as trading assets and have not been designated as either 'fair value through the Comprehensive Income and Expenditure Statement' or 'available for sale'. Such assets are carried at amortised cost using the effective interest rate method if the time value of money is significant. Gains and losses are recognised in the Comprehensive Income and Expenditure Statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

The fair value of loans advanced to third parties at nil interest rate or below the prevailing market rate of interest is estimated as the present value of all future cash receipts discounted using the prevailing market rate of

Accounting Policies (continued)

interest for a similar instrument. The loan is subsequently amortised up to its repayment amount using the effective rate of interest.

Other investments

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

Trade and other receivables

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

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

Available for sale financial assets

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with a maturity, at the date of acquisition, of less than or equal to three months. Cash equivalents are classified as loans and receivables financial instruments.

Financial liabilities at fair value through the Comprehensive Income and Expenditure Statement (held for trading)

Derivative liabilities are classified as held for trading unless they are designated as hedging instruments. They are carried in the balance sheet at fair value with gains or losses recognised in the Comprehensive Income and Expenditure Statement.

Financial liabilities measured at amortised cost

All non-derivative financial liabilities are classified as financial liabilities measured at amortised cost. Non-derivative financial liabilities are initially recognised at the settlement date at the fair value of the consideration received, less directly attributable issue costs. After initial recognition, non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Comprehensive Income and Expenditure Statement when the liabilities are derecognised or impaired, as well as through the amortisation process.

Trade and other creditors

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

Interest bearing loans and borrowings

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

Obligations under finance leases and PFI arrangements

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

Derivative financial instruments

The Group uses derivative financial instruments to manage certain exposures to fluctuations in foreign currency exchange rates and interest rates. The Group does not hold or issue derivative instruments for speculative purposes. The use of derivatives is governed by the Group's policies, approved by the Board. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of the foreign currency risk of firm commitments (cash flow hedges).

The fair value of hedging derivatives is classified as a long-term asset or a long-term liability if the remaining maturity of the hedge relationship is more than 12 months and as a short-term asset or a short-term liability if the remaining maturity of the hedge relationship is less than 12 months. Derivatives not designated into an effective hedge relationship are classified as a short-term asset or a short-term liability.

Hedge accounting

In order to qualify for hedge accounting, at inception of the transaction the Group formally designates and documents the hedging relationship, which includes the Group's risk management objective and strategy for undertaking the hedge, identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness. In addition, an instrument is only designated as a hedge when it is expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk as designated and documented and where effectiveness is capable of reliable measurement.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Derivatives qualify for hedge accounting if changes in the fair value or cash flows of the hedging instrument attributable to the hedged risk are expected to be highly effective in offsetting the changes in the fair value or cash flows of the hedged item on a prospective basis and on a retrospective basis where actual results are within a range of 80 per cent to 125 per cent. Where derivatives or portions of hedges do not qualify for hedge accounting, they are recorded at fair value through the Comprehensive Income and Expenditure Statement and any change in value is immediately recognised in the Comprehensive Income and Expenditure Statement.

Accounting Policies (continued)

Cash flow hedges

Derivative instruments are classified as cash flow hedges when they hedge the Group's exposure to variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction. Derivative instruments qualifying for treatment as cash flow hedges are principally interest rate swaps and foreign currency forward exchange contracts.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred in reserves. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts deferred in reserves are recycled in profit or loss in the periods when the hedged items (the hedged asset or liability) are recognised in the Comprehensive Income and Expenditure Statement. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the related asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging instrument relationship, or the hedging instrument expires, is sold, terminated, exercised or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in reserves at that time remains in reserves and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in reserves is recognised immediately in profit or loss.

Fair value measurement of financial instruments

The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date, within Level 1 of the fair value hierarchy as defined within IFRS 7.

Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length transactions; reference to the current market value of another instrument which is substantially the same; and discounted cash flow analysis and pricing models.

In the absence of quoted market prices, derivatives are valued by using quoted forward prices for the underlying commodity/currency and discounted using quoted interest rates (both as at the close of business on the balance sheet date). Hence, derivatives are within Level 2 of the fair value hierarchy as defined within IFRS 7.

Impairment of financial assets

Financial assets are assessed at each balance sheet date to determine whether there is any objective evidence that they are impaired. Individually significant financial assets are tested for impairment on an individual basis. All impairment losses are recognised in the Comprehensive Income and Expenditure Statement.

Embedded derivatives

Derivatives that are embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not carried at fair value. Embedded derivatives are carried on the balance sheet at fair value from inception of the host contract. Unrealised changes in fair value are recognised as gains/losses within the Comprehensive Income and Expenditure Statement during the period in which they arise.

1. Gross income

a) Gross income

Year ended 31 March	2013 £m	% of total	2012 £m	% of total
Fares	**3,539.0**	**78.7**	3,271.1	78.2
Revenue in respect of free travel for the elderly and disabled	**294.6**	**6.6**	275.5	6.6
Congestion Charging	**222.0**	**4.9**	226.7	5.4
Charges to London boroughs	**14.1**	**0.3**	14.3	0.3
Charges to transport operators	**8.9**	**0.2**	8.9	0.2
Road Network compliance income	**47.8**	**1.1**	43.6	1.0
Commercial advertising receipts	**144.7**	**3.2**	129.7	3.1
Rents receivable	**58.3**	**1.3**	53.4	1.3
Contributions from third parties to operating costs	**37.5**	**0.8**	45.1	1.1
Taxi licensing	**19.8**	**0.4**	20.6	0.5
Ticket and photocard commission income	**15.6**	**0.3**	11.1	0.3
ATM and car parking income	**10.4**	**0.2**	9.5	0.2
Museum income	**7.6**	**0.2**	5.5	0.1
Other	**75.2**	**1.8**	65.9	1.7
	4,495.5	**100.0**	4,180.9	100.0

b) Congestion charging

	Group and Corporation 2013 £m	Group and Corporation 2012 £m
Income	**222.0**	226.7
Toll facilities and traffic management	**(82.8)**	(81.2)
	139.2	145.5
Administration, support services and depreciation	**(7.1)**	(8.7)
Net income from Congestion Charging	**132.1**	136.8

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

1. Gross income (continued)

c) Street works

	Group and Corporation 2013 £m	Group and Corporation 2012 £m
Income	**1.9**	-
Costs of reducing adverse impacts of street works	**(1.6)**	-
	0.3	-
Administration, support services and depreciation	**-**	-
Net income from street works	**0.3**	-

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 proceeds shown above have been transferred to the Street works reserve.

2. Segmental analysis

Decisions taken by the Board about resource allocation are made using internal management reports which show total expenditure. These management reports are presented on a segmental basis as shown below.

Year ended 31 March 2013

	London Underground £m	**Tube Lines £m**	**London Rail £m**	**Surface Transport £m**	**Corporate items £m**	**Total £m**
Income	2,301.8	14.2	285.9	1,781.9	81.2	4,465.0
Expenditure	(1,844.8)	(374.3)	(345.1)	(2,660.7)	(357.3)	(5,582.2)
Net operating income/ (expenditure)	457.0	(360.1)	(59.2)	(878.8)	(276.1)	(1,117.2)

Year ended 31 March 2012

	London Underground £m	Tube Lines £m	London Rail £m	Surface Transport £m	Corporate items £m	Total £m
Income	2,166.6	12.4	224.7	1,687.8	51.0	4,142.5
Expenditure	(1,736.0)	(397.9)	(315.4)	(2,575.0)	(341.6)	(5,365.9)
Net operating income/ (expenditure)	430.6	(385.5)	(90.7)	(887.2)	(290.6)	(1,223.4)

2. Segmental analysis (continued)

The segmental analysis is prepared using internal management reporting accounting methodologies. In some cases, these methodologies are different from the accounting policies used in the financial statements. The main differences between the methodologies are explained below and reconciliations between the two are included on the following pages:

- Ad hoc items which do not fit into any of the reporting segments are known internally as 'Group items'. Group items are reported separately to management and are not included in the segmental analysis.
- Due to its charitable status, the museum is treated at arm's length for management reporting and the only entry in relation to the museum in the management reports is the grant that TfL has agreed to pay the museum.
- Depreciation, amortisation and impairment charges are not included in the segmental analysis.
- The cost of retirement benefits in the management reports is based on cash flows rather than the current service costs of benefits accrued in the year.
- The capital elements (i.e. capital repayment and financing costs) relating to PPP and PFI contracts are included in the management reports in net operating expenditure but they are not included in net cost of services in the Comprehensive Income and Expenditure Statement.
- Some interest income and debt servicing costs in the subsidiaries are included in net operating expenditure in the management reports but they are not included in net cost of services in the Comprehensive Income and Expenditure Statement.

2. Segmental analysis (continued)

Reconciliation of net operating expenditure per the segmental analysis to net cost of services for the year ended 31 March 2013

	£m	£m
Net operating expenditure per the segmental analysis		(1,117.2)
Net expenditure of services not included in the segmental analysis		
Group items	(0.2)	
Museum net revenue cost	(3.6)	
		(3.8)
Amounts included in the Comprehensive Income and Expenditure Statement not reported to management in the segmental analysis		
Depreciation	(951.6)	
Amortisation	(50.5)	
Goodwill write off	-	
Pension service costs (note 29)	(229.5)	
		(1,231.6)
Amounts included in the segmental analysis not included in the Comprehensive Income and Expenditure Statement		
Capital and interest payments under the PPP and PFI schemes	101.7	
Pension payments charged to operating costs	260.1	
Grant funding of museum	5.8	
		367.6
Net cost of services		(1,985.0)

2. Segmental analysis (continued)

Reconciliation of net operating expenditure per the segmental analysis to net cost of services for the year ended 31 March 2012

	£m	£m
Net operating expenditure per the segmental analysis		(1,223.4)
Net expenditure of services not included in the segmental analysis		
Group items	1.4	
Museum net revenue cost	(5.7)	
		(4.3)
Amounts included in the Comprehensive Income and Expenditure Statement not reported to management in the segmental analysis		
Depreciation	(895.3)	
Amortisation	(52.7)	
Goodwill write off	(106.3)	
Pension service costs (note 29)	(181.2)	
		(1,235.5)
Amounts included in the segmental analysis not included in the Comprehensive Income and Expenditure Statement		
Capital and interest payments under the PPP and PFI schemes	145.2	
Pension payments charged to operating costs	262.7	
Grant funding of museum	5.8	
		413.7
Net cost of services		(2,049.5)

2. Segmental analysis (continued)

Reconciliation of segmental analysis to subjective analysis for the year ended 31 March 2013

	Net revenue cost per the segmental analysis £m	Net expenditure on services not included in the segmental analysis £m	Amounts included in the Comprehensive Income and Expenditure Statement not reported to management in the segmental analysis £m	Amounts included in the segmental analysis not included in the Comprehensive Income and Expenditure Statement £m	Total £m
Income	4,465.0	30.5	-	-	4,495.5
Staff costs	(1,652.6)	(4.3)	(229.5)	260.1	(1,626.3)
Other service expenses	(3,929.6)	(30.0)	-	107.5	(3,852.1)
Depreciation, amortisation and impairment	-	-	(1,002.1)	-	(1,002.1)
Total cost	(5,582.2)	(34.3)	(1,231.6)	367.6	(6,480.5)
Net cost of services	(1,117.2)	(3.8)	(1,231.6)	367.6	(1,985.0)
Loss on disposal of assets					(121.8)
Interest income					528.9
Interest payable					(780.5)
Non specific grant income					5,463.6
Surplus on the provision of services before taxation					3,105.2

2. Segmental analysis (continued)

Reconciliation of segmental analysis to subjective analysis for the year ended 31 March 2012

	Net revenue cost per the segmental analysis £m	Net expenditure on services not included in the segmental analysis £m	Amounts included in the Comprehensive Income and Expenditure Statement not reported to management in the segmental analysis £m	Amounts included in the segmental analysis not included in the Comprehensive Income and Expenditure Statement £m	Total £m
Income	4,142.5	38.4	-	-	4,180.9
Staff costs	(1,591.8)	(4.3)	(181.2)	262.7	(1,514.6)
Other service expenses	(3,774.1)	(38.4)	-	151.0	(3,661.5)
Depreciation, amortisation and impairment	-	-	(1,054.3)	-	(1,054.3)
Total cost	(5,365.9)	(42.7)	(1,235.5)	413.7	(6,230.4)
Net cost of services	(1,223.4)	(4.3)	(1,235.5)	413.7	(2,049.5)
Gain on disposal of assets					2.5
Interest income					441.7
Interest payable					(943.3)
Non-specific grant income					4,823.1
Surplus on the provision of services before taxation					2,274.5

The segmental reporting analysis only deals with Group information, and no disclosures are included for the Corporation. This is because the Corporation's results are not reported to the Board on a segmental basis.

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

3. Gross expenditure

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

	Note	**Group 2013 £m**	Group 2012 £m	**Corporation 2013 £m**	Corporation 2012 £m
Staff costs:					
Wages and salaries		**1,263.0**	1,207.3	**222.3**	183.7
Social security costs		**122.5**	109.5	**21.9**	15.6
Pension costs	29	**240.8**	197.8	**54.9**	42.6
		1,626.3	1,514.6	**299.1**	241.9
Other service expenditure		**3,852.1**	3,661.5	**613.6**	723.4
Depreciation	12	**951.6**	895.3	**158.5**	158.2
Amortisation of software intangibles	11	**50.5**	52.7	**33.5**	39.3
Impairment of goodwill	11	**-**	106.3	**-**	-
		6,480.5	6,230.4	**1,104.7**	1,162.8

Included in the Corporation's other service expenditure is £147.2m (2011/12 £165.7m) relating to financial assistance to London Boroughs and other third parties (see note 36 for detailed analysis).

The average number of persons employed in the year was:

	Group 2013 Number	Group 2012 Number	**Corporation 2013 Number**	Corporation 2012 Number
Permanent staff (including fixed term contracts)	**25,845**	25,668	**4,426**	3,490
Agency staff	**2,175**	1,826	**602**	277
	28,020	27,494	**5,028**	3,767

4. External audit fees

External audit fees are made up as follows:

	Group 2013 £m	Group 2012 £m	**Corporation 2013 £m**	Corporation 2012 £m
Auditor's remuneration:				
for statutory audit services	**1.5**	1.6	**0.2**	0.4
for non-statutory audit services	**0.3**	0.2	**0.2**	0.1
for non-audit services *	**0.1**	-	**0.1**	-
	1.9	1.8	**0.5**	0.5

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

5. Remuneration

a) Employees' remuneration

The Code requires the disclosure of remuneration for the Corporation's employees whose total remuneration in the year was £50,000 or more, grouped in rising bands of £5,000. The impact of the transfer of employees into and out of the Corporation from subsidiaries can cause distortion for year on year comparison purposes. This is particularly the case for the prior year, when a number of employees transferred their employment from London Underground Limited to the Corporation to combine support functions to generate significant savings. Consequently, an additional voluntary disclosure for the Group is provided that shows the combined employee bands for TfL and its subsidiaries. The full year remuneration of these transferred employees was included in the disclosures for the Corporation for 2011/12 even though they transferred part of the way through that year.

The statutory remuneration disclosures were further distorted in the year ended 31 March 2012 by the timing of TfL's payroll. The Code requires that disclosure of employees' remuneration be based on cash payments made in the tax year to 5 April. TfL operates a number of payrolls, the majority of which pay on a four-weekly cycle, with thirteen payments in most years. Approximately once in every twenty two years, the timing of the payroll is such that there are fourteen payments in the financial year. This occurred for one of TfL's payrolls in the year to 5 April 2012. The inclusion of the additional payment had the effect of increasing reported remuneration, without affecting the underlying annual remuneration earned. To facilitate comparability between years, additional columns have been added to the tables showing remuneration paid in 2011/12 over thirteen periods as is disclosed in the current year and as is expected to be disclosed in future years. The payroll run excluded from the disclosure was the first of the financial year, namely 6 April 2011.

The remuneration disclosure is also affected by the Crossrail project. The number of employees of Crossrail Limited receiving total remuneration of £50,000 or more has increased from 141 in 2011/12 to 161 in 2012/13. The corresponding figures for those receiving total remuneration of more than £100,000 are 30 for 2011/12 and 30 for 2012/13.

Excluding Crossrail, the number of staff earning over £100,000 is 298 (2011/12 335 on a 13 period basis).

The disclosure in note 5a includes all senior employees also included in note 5b.

5. Remuneration (continued)

a) Employees' remuneration (continued)

Employees' remuneration, which includes their salaries, fees, performance related pay, benefits in kind, lump sums and termination payments, but excludes pension contributions paid by the employer, fell within the following bands:

£	**Group 2013 Number (13 period basis)**	Group 2012 Number (cash basis)	Group 2012 Number (13 period basis)	**Corporation 2013 Number (13 period basis)**	Corporation 2013 Number (cash basis)	Corporation 2012 Number (13 period basis)
50,000 – 54,999	**3,198**	2,304	2,247	**377**	427	404
55,000 – 59,999	**1,892**	1,501	1,413	**334**	331	277
60,000 – 64,999	**1,251**	1,118	1,053	**219**	254	236
65,000 – 69,999	**877**	778	664	**200**	219	179
70,000 – 74,999	**547**	500	437	**146**	148	121
75,000 – 79,999	**403**	342	289	**93**	112	85
80,000 – 84,999	**272**	243	190	**73**	75	65
85,000 – 89,999	**201**	181	136	**55**	71	52
90,000 – 94,999	**105**	121	103	**33**	53	34
95,000 – 99,999	**98**	104	100	**38**	34	41
100,000 – 104,999	**56**	93	62	**21**	36	25
105,000 – 109,999	**55**	64	55	**19**	26	17
110,000 – 114,999	**35**	47	43	**13**	19	17
115,000 – 119,999	**23**	38	23	**8**	16	11
120,000 – 124,999	**32**	28	22	**14**	11	5
125,000 – 129,999	**12**	21	16	**7**	6	6
130,000 – 134,999	**9**	15	21	**4**	5	10
135,000 – 139,999	**7**	19	15	**4**	9	7
140,000 – 144,999	**8**	19	16	**3**	10	12
145,000 – 149,999	**8**	13	6	**2**	9	4
150,000 – 154,999	**9**	10	7	**7**	6	3
155,000 – 159,999	**4**	9	9	**-**	4	4
160,000 – 164,999	**9**	6	2	**2**	5	1
165,000 – 169,999	**4**	5	9	**1**	1	5
170,000 – 174,999	**5**	5	7	**3**	3	3
175,000 – 179,999	**1**	6	4	**-**	3	3
180,000 – 184,999	**2**	5	1	**1**	3	-
185,000 – 189,999	**10**	5	5	**4**	3	2
190,000 – 194,999	**3**	7	5	**1**	1	1
195,000 – 199,999	**3**	2	7	**1**	1	5
200,000 – 204,999	**3**	5	2	**1**	2	1
205,000 – 209,999	**6**	3	2	**5**	3	1
210,000 – 214,999	**1**	2	2	**1**	2	1
215,000 – 219,999	**-**	4	1	**-**	1	1
220,000 – 224,999	**1**	1	1	**1**	1	-
225,000 – 229,999	**2**	-	-	**-**	-	-
230,000 – 234,999	**1**	1	1	**1**	-	1
235,000 – 239,999	**2**	-	1	**1**	-	1
240,000 – 244,999	**1**	1	2	**-**	1	2
245,000 – 249,999	**-**	1	-	**-**	1	-

5. Remuneration (continued)

£	**Group 2013 Number (13 period basis)**	Group 2012 Number (cash basis)	Group 2012 Number (13 period basis)	**Corporation 2013 Number (13 period basis)**	Corporation 2013 Number (cash basis)	Corporation 2012 Number (13 period basis)
250,000 – 254,999	**1**	3	1	**-**	2	-
255,000 – 259,999	**1**	-	2	**-**	-	-
260,000 – 264,999	**2**	-	-	**-**	-	-
265,000 – 269,999	**-**	1	2	**-**	-	1
270,000 – 274,999	**-**	2	1	**-**	-	-
275,000 – 279,999	**-**	1	-	**-**	1	-
285,000 – 289,999	**-**	1	1	**-**	-	1
295,000 – 299,999	**-**	1	2	**-**	-	1
300,000 – 304,999	**-**	1	-	**-**	1	-
305,000 – 309,999	**-**	-	1	**-**	-	-
310,000 – 314,999	**-**	2	3	**-**	1	-
315,000 – 319,999	**2**	1	1	**-**	-	1
320,000 – 324,999	**-**	1	-	**-**	-	-
325,000 – 329,999	**1**	-	-	**1**	-	-
330,000 – 334,999	**-**	2	1	**-**	1	1
355,000 – 359,999	**-**	1	-	**-**	1	-
360,000 – 364,999	**1**	-	-	**1**	-	-
370,000 – 374,999	**2**	-	-	**2**	-	-
380,000 – 384,999	**-**	1	1	**-**	-	-
400,000 – 404,999	**-**	1	1	**-**	-	-
420,000 – 424,999	**1**	-	-	**-**	-	-
450,000 – 454,999	**1**	-	-	**1**	-	-
470,000 – 474,999	**1**	-	-	**-**	-	-
495,000 – 499,999	**-**	-	1	**-**	-	-
510,000 – 514,999	**-**	1	-	**-**	-	-
550,000 – 554,999	**1**	-	-	**-**	-	-
565,000 – 569,999	**1**	-	-	**-**	-	-
650,000 – 654,999	**1**	-	-	**1**	-	-
Total	**9,172**	7,647	6,997	**1,699**	1,919	1,648

b) Remuneration for senior employees

The Accounts and Audit (England) Regulations 2011 require disclosure of individual remuneration details for senior employees. Senior employees are those with a base salary of £150,000 or more, calculated on a full time equivalent basis for those working part-time.

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

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

Salary, fees and allowances are disclosed on an earned basis to ensure that reported salary is based on annual salary rather than being distorted by the variable timing of payroll payments. Performance related pay, however, is reported on a cash paid basis as performance payments may not be determined for many months after the end of the relevant year.

5. Remuneration (continued)

5. Remuneration (continued)

b) Remuneration for senior employees (continued)

	Notes	Salary (including fees and allowances) 2012/13 £	Performance related pay for 2010/11 paid in year 2012/13** £	Performance related pay for 2011/12 paid in year 2012/13*** £	Compensation for loss of employment 2012/13 £	Benefits in kind 2012/13 £	Total remuneration excluding pension contributions 2012/13 £	Employer's contribution to pension 2012/13 £	Salary (including fees and allowances) 2011/12 £	Performance related pay for 2010/11 paid in year 2011/12 £
Current employees excluding Crossrail										
Peter Hendy, Commissioner	a	331,346	150,366	168,640	-	2,100	652,452	-	331,175	-
Steve Allen, Managing Director, Finance		*288,524	77,283	84,658	-	634	451,099	24,801	*289,577	-
Mike Brown, Managing Director, Rail and Underground		*309,605	75,010	88,936	-	2,100	475,651	24,801	*310,734	-
Howard Carter, General Counsel	b	*238,945	63,049	66,381	-	2,204	370,579	24,801	*235,456	-
Leon Daniels, Managing Director, Surface Transport	c	257,768	-	70,220	-	460	328,448	24,801	234,906	-
Michèle Dix, Managing Director, Planning	d	145,740	12,139	12,140	-	2,100	172,119	108,841	*158,267	-
Vernon Everitt, Managing Director, Customer Experience, Marketing & Communications		229,020	64,803	68,055	-	2,100	363,978	24,801	229,020	-
Gillian Alford, Director of Corporate Industrial Relations	e	*158,925	-	17,936	-	634	177,495	35,260	115,191	-
Sarah Atkins, Commercial Director , Rail and Underground		*169,336	8,530	29,529	-	1,705	209,100	24,801	*170,096	26,000
Howard Collins, Chief Operating Officer, London Underground		*185,385	9,559	41,560	-	1,705	238,209	31,588	*185,982	17,000
Carl Devlin, Programme Director SSR Upgrade Programme	f	50,492	-	-	-	369	50,861	5,232	-	-
Robert Doyle, Head of Track and Signals, London Underground		150,435	-	9,402	-	1,705	161,542	24,680	157,581	7,500
Gerald Duffy, Director of Employee Relations, London Underground		*164,104	8,208	28,209	-	634	201,155	24,801	*164,934	16,000
Garrett Emmerson, Chief Operating Officer Streets, Surface Transport		*176,118	8,740	29,240	-	634	214,732	24,801	*177,317	20,000
David Goldstone, Chief Finance Officer	g	53,179	-	-	-	-	53,179	6,047	-	-
David Hendry, Finance Director, Surface Transport	h	*162,647	8,194	14,894	-	1,705	187,440	39,553	*164,368	10,000
Philip Hufton, Asset Performance Director, London Underground		267,680	9,559	41,560	-	-	318,799	24,801	255,377	17,000
Chris Macleod, Director of Group Marketing	i	*153,848	6,555	29,694	-	-	190,097	33,941	142,541	-
Stuart Munro, Director of Finance and Commercial, Tube Lines		152,936	7,138	33,002	-	1,820	194,896	39,269	152,801	13,000
Gareth Powell, Director of Strategy and Service Development, London Underground	j	*152,545	7,238	48,194	-	1,705	209,682	36,354	*155,150	24,000
Patricia Riley, Human Resources Director		*183,351	6,828	33,740	-	634	224,553	33,272	*183,973	18,000
Michael Strzelecki, Director of Business Transformation	k	150,959	7,535	28,085	-	1,705	188,284	-	148,000	14,000
Steve Townsend, Chief Information Officer		158,129	7,385	28,467	-	1,816	195,797	32,272	151,670	13,000
Shashi Verma, Director of Customer Experience		*182,418	7,921	35,559	-	634	226,532	33,272	*167,117	25,000
David Waboso, Director of Capital Programmes, London Underground	l	*254,318	10,379	49,837	-	1,705	316,239	35,491	*227,744	28,000
Colin Wood, Director of Olympic Legacy	m	*197,309	-	9,000	-	1,704	208,013	13,740	*59,645	-

5. Remuneration (continued)

5. Remuneration (continued)

b) Remuneration for senior employees (continued)

	Notes	Salary (including fees and allowances) 2012/13 £	Performance related pay for 2010/11 paid in year 2012/13** £	Performance related pay for 2011/12 paid in year 2012/13*** £	Compensation for loss of employment 2012/13 £	Benefits in kind 2012/13 £	Total remuneration excluding pension contributions 2012/13 £	Employer's contribution to pension 2012/13 £	Salary (including fees and allowances) 2011/12 £	Performance related pay for 2010/11 paid in year 2011/12 £
Crossrail current office holders/employees										
Terry Morgan, Non-executive Chairman	n	250,000	-	-	-	1,705	251,705	-	250,000	-
Andrew Wolstenholme, Chief Executive	o	443,003	-	123,120	-	1,705	567,828	33,161	295,249	-
David Allen, Finance Director		254,883	-	167,056	-	1,705	423,644	33,161	240,722	72,000
Martin Buck, Commercial Director		164,122	-	94,725	-	634	259,481	33,161	143,750	42,000
Neil Farmer, IT Director		159,910	-	28,000	-	1,705	189,615	33,161	163,933	26,000
Robert Flanagan, Finance Operations Director	p	152,911	-	8,500	-	1,705	163,116	33,161	62,207	-
Steven Hails, Health & Safety Director	q	187,147	-	-	-	1,607	188,754	32,150	-	-
Ian Lindsay, Land and Property Director	r	163,589	-	20,000	-	1,705	185,294	33,161	156,384	-
Andy Mitchell, Programme Director		328,100	-	222,600	-	1,705	552,405	33,161	308,600	90,000
Chris Sexton, Technical Director		192,582	-	33,264	-	1,029	226,875	33,161	182,090	8,250
Howard Smith, Director of Operations, Crossrail	s	*153,591	7,677	34,676	-	1,705	197,649	24,801	153,311	20,000
Valerie Todd, Talent and Resources Director	t	*210,954	-	48,560	-	2,100	261,614	34,638	*206,279	49,109
Former employees										
Stephen Critchley, Chief Finance Officer	u	*66,543	7,362	32,363	268,494	-	374,762	-	*176,640	20,000
Jon Lamonte, Chief Executive, Tube Lines	v	*156,568	-	31,579	-	-	188,147	30,002	*179,807	-
Robert Stewart, Programme Director, Line Upgrades	w	193,878	-	50,493	-	1,420	245,791	20,996	121,858	-

* salary, fees and allowances include an allowance paid as a result of the individual opting out of part or all of the benefits provided by the Supplementary Pension Scheme. The allowance was introduced in 2011/12 and is paid at the rate of the supplementary scheme pension scheme contribution foregone, discounted by the employer rate of National Insurance in order to ensure no additional employer cost is incurred.

** Refers to the Deferred Incentive Plan ('DIP'). Payment made in 2012/13 was representative of a two year deferment covering 2010/11 and 2011/12. Only the element relating to awards deferred from 2010/11 is shown in this column. Annual performance awards due for the Commissioner and Chief Officers for 2010/11 were deferred in their entirety. For Directors, 25 per cent of the annual performance awards budget for 2010/11 was deferred. In both cases, the DIP payments were contingent upon meeting targets including preparation for and delivery of the London 2012 Games.

*** Refers to 2011/12 Performance Related Pay awards together with the 2011/12 element of the Deferred Incentive Plan payment. Annual performance awards due for the Commissioner and Chief Officers for 2011/12 were deferred in their entirety. For Directors, 25 per cent of the annual performance awards budget for 2011/12 was deferred. In both cases, the DIP payments made in late 2012/13 were contingent upon meeting targets including preparation for and delivery of the London 2012 Games.

a salary sacrificed for pension of £17,098 (2011/12 £17,269)

b salary sacrificed for childcare vouchers of £512 (2011/12 nil)

c entered service 20 April 2011

d part-time, three days per week. Performance related pay of £66,000 sacrificed to pension fund (2011/12 £nil)

e entered service 4 July 2011

f entered service 14 January 2013

g entered service on 2 January 2013

h performance related pay of £13,800 (2011/12 £10,000) sacrificed to pension fund

i performance related pay of £nil (2011/12 £17,000) sacrificed to pension fund

j salary sacrificed for childcare vouchers of £2,860 (2011/12 nil)

k formerly Director of Safety

l performance related pay of £10,000 (2011/12 £nil) sacrificed to pension fund

m entered service 5 December 2011. Formerly Head of Games Readiness

n paid for providing services three days per week

o entered service 1 August 2011

p entered service 7 November 2011

q entered service 23 April 2012

r entered service 27 June 2011

s formerly Chief Operating Officer, London Rail. Took up post of Director of Operations at Crossrail on 25 March 2013

t employed by TfL but on secondment to Crossrail since January 2009

u left service 31 July 2012

v left service 4 January 2013. Performance related pay of £3,800 (2011/12 nil) sacrificed to pension fund.

w Entered service 22 August 2011. Left service 3 February 2013

5. Remuneration (continued)

c) Termination payments

The Code requires the separate disclosure of the number and cost of compulsory and voluntary severance termination packages agreed during the year.

The majority of those who leave the TfL Group due to redundancy do so under TfL's voluntary severance terms, by choosing to accept the voluntary severance terms which are set out in a compromise agreement signed by both the employer and the employee on the termination of their employment. These employees are classified as leaving due to 'voluntary severance'. A small number of employees who leave due to redundancy do not wish to sign a compromise agreement and accept the voluntary terms. They are classified as having left due to 'compulsory redundancy'.

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

£	**Group 2013 Number**	**Group 2013 £m**	Group 2012 Number	Group 2012 £m
Non-compulsory exit packages				
0 - 20,000	**44**	**0.5**	212	2.3
20,001 - 40,000	**40**	**1.2**	159	4.6
40,001 - 60,000	**35**	**1.7**	108	5.3
60,001 - 80,000	**23**	**1.6**	70	4.8
80,001 - 100,000	**17**	**1.6**	47	4.2
100,001 - 150,000	**23**	**2.7**	61	7.2
150,001 - 200,000	**10**	**1.7**	14	2.4
200,001 - 250,000	**4**	**0.9**	11	2.4
250,001 - 300,000	**3**	**0.8**	5	1.4
300,001 - 350,000	**-**	**-**	1	0.3
350,001 - 400,000	**-**	**-**	1	0.4
Total non-compulsory exit packages	**199**	**12.7**	689	35.3
Compulsory exit packages				
0 - 20,000	**-**	**-**	18	0.1
20,001 - 40,000	**1**	**-**	-	-
Total	**200**	**12.7**	707	35.4

5. Remuneration (continued)

c) Termination payments (continued)

£	**Corporation 2013 Number**	**Corporation 2013 £m**	Corporation 2012 Number	Corporation 2012 £m
Non-compulsory exit packages				
0 - 20,000	**24**	**0.3**	72	0.9
20,001 - 40,000	**26**	**0.8**	70	2.0
40,001 - 60,000	**24**	**1.2**	39	1.9
60,001 - 80,000	**12**	**0.8**	20	1.4
80,001 - 100,000	**11**	**1.0**	11	1.0
100,001 - 150,000	**14**	**1.6**	19	2.3
150,001 - 200,000	**7**	**1.2**	7	1.2
200,001 - 250,000	**4**	**0.9**	5	1.1
250,001 - 300,000	**2**	**0.5**	1	0.3
300,001 - 350,000	**-**	**-**	1	0.3
350,001 - 400,000	**-**	**-**	-	-
Total non-compulsory exit packages	**124**	**8.3**	245	12.4
Compulsory exit packages				
0 - 20,000	**-**	**-**	-	-
20,001 - 40,000	**-**	**-**	-	-
Total	**124**	**8.3**	245	12.4

6. Other operating income/expenditure

	Group 2013 £m	Group 2012 £m	Corporation 2013 £m	Corporation 2012 £m
Net (loss)/profit on disposal of property, plant and equipment	**(121.8)**	2.5	**(0.2)**	(2.4)
Total other operating income/(expenditure)	**(121.8)**	2.5	**(0.2)**	(2.4)

7. Financing and investment income

	Note	Group 2013 £m	Group 2012 £m	Corporation 2013 £m	Corporation 2012 £m
Interest income on bank deposits		**18.3**	13.4	**17.8**	12.8
Interest income on loans to subsidiaries		**-**	-	**204.6**	235.9
Change in fair value of investment properties	13	**131.5**	21.4	**3.5**	9.4
Net gain on disposal of investment properties		**35.9**	0.3	**2.8**	0.3
Expected return on pension assets	29	**342.9**	406.5	**1.5**	1.7
Other investment income		**0.3**	0.1	**0.1**	-
		528.9	441.7	**230.3**	260.1

8. Financing and investment expenditure

	Note	Group 2013 £m	Group 2012 £m	Corporation 2013 £m	Corporation 2012 £m
Interest payable on loans and derivatives		**288.4**	261.8	**271.0**	204.5
Interest payable on loans to subsidiaries		**-**	-	**5.4**	55.5
Interest payable on finance lease liabilities		**63.5**	90.6	**8.5**	8.8
Contingent rentals on PFI contracts		**13.3**	12.2	**3.7**	3.2
Premiums on early repayment of borrowings and finance lease liabilities		**23.0**	168.6	**-**	216.5
Swap breakage costs		**-**	0.8	**-**	-
Expected cost of pension scheme liabilities	29	**390.9**	409.2	**4.3**	4.4
Other financing and investment expenditure		**1.4**	0.1	**0.1**	0.1
		780.5	943.3	**293.0**	493.0

9. Grant income

	Group 2013 £m	Group 2012 £m	Corporation 2013 £m	Corporation 2012 £m
Non ring-fenced grant from the DfT used to fund operations	**2,058.2**	1,634.1	**2,058.2**	1,634.1
Other revenue grant received	**145.8**	67.7	**145.8**	67.7
Council tax precept	**6.0**	6.0	**6.0**	6.0
Total grants allocated to revenue	**2,210.0**	1,707.8	**2,210.0**	1,707.8
Non ring-fenced grant from the DfT used to fund capital	**1,179.6**	1,620.0	**1,179.6**	1,620.0
Ring-fenced grant used to fund capital expenditure relating to Crossrail	**1,904.0**	1,217.0	**1,904.0**	1,217.0
Business Rate Supplement levied to fund capital expenditure relating to Crossrail	**120.0**	168.0	**120.0**	168.0
Other capital grants and contributions received	**50.0**	110.3	**38.0**	14.7
Total grants allocated to capital	**3,253.6**	3,115.3	**3,241.6**	3,019.7
Total grants	**5,463.6**	4,823.1	**5,451.6**	4,727.5

Allocation of capital grants

	Group 2013 £m	Group 2012 £m	Corporation 2013 £m	Corporation 2012 £m
Capital grant funding of subsidiaries	**-**	-	**1,110.7**	1,445.0
Applied capital grants (note 31)	**2,667.8**	2,916.6	**1,545.1**	1,376.0
Unapplied capital grants (note 33)	**585.8**	198.7	**585.8**	198.7
Total capital grants	**3,253.6**	3,115.3	**3,241.6**	3,019.7

10. Taxation

TfL Corporation is exempt from corporation tax but its subsidiaries are assessable individually to taxation in accordance with current tax legislation. All companies, with the exception of Crossrail Limited, are able to claim group relief. Current tax credits relate to repayable tax credits in respect of claims for earlier periods for Land Remediation Relief and Enhanced Capital Allowances.

a) Corporation tax

The Group tax credit for the year, based on the rate of corporation tax of 24% (2012 26%) comprised:

	Group 2013 £m	Group 2012 £m
Current tax		
UK corporation tax	**-**	-
Adjustments in respect of prior years	**(0.2)**	(1.5)
Total current tax credit	**(0.2)**	(1.5)
Deferred tax	**-**	-
Total tax credit for the year	**(0.2)**	(1.5)

Reconciliation of tax credit

	Group 2013 £m	Group 2012 £m
Surplus on the provision of services before tax	**3,105.2**	2,274.5
Surplus on the provision of services before tax multiplied by standard rate of corporation tax in the UK of 24% (2012 26%)	**745.2**	591.4
Effects of:		
Non-deductible expenses / (non-taxable income)	**(43.4)**	(287.7)
Permanent difference in TfL Corporation	**(675.4)**	(392.6)
Amount charged to current tax for which no deferred tax was recognised	**(73.3)**	67.6
Tax losses carried forward for which no deferred tax was recognised	**47.4**	22.4
Overseas earnings	**(0.5)**	(1.1)
Adjustments in respect of prior years	**(0.2)**	(1.5)
Total tax credit for the year	**(0.2)**	(1.5)

10. Taxation (continued)

b) Unrecognised deferred tax assets

The Group has a potential net deferred tax asset of £2,237.6m (2012 £2,187.8m) in respect of the following items:

	Group 2013 £m	Group 2012 £m
Deductible temporary differences	**1,043.6**	977.7
Tax losses	**1,194.0**	1,210.1
Unrecognised deferred tax asset	**2,237.6**	2,187.8

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

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

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

Deferred tax assets have been recognised to the extent of the deferred tax liabilities as at the balance sheet date. Their movements during the year were in respect of the following items:

For the year ended 31 March 2013	Balance at 1 April 2012 £m	Movement in period £m	Balance at 31 March 2013 £m
Deferred tax assets			
Property, plant and equipment	45.7	(3.0)	**42.7**
Derivative financial instruments	28.1	24.6	**52.7**
Total	73.8	21.6	**95.4**
Deferred tax liabilities			
Investment properties	(66.4)	(26.7)	**(93.1)**
Other	(7.4)	5.1	**(2.3)**
Total	(73.8)	(21.6)	**(95.4)**
Net deferred tax asset/(liability)	-	-	**-**

10. Taxation (continued)

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

For the year ended 31 March 2012	Balance at 1 April 2011 £m	Movement in period £m	Balance at 31 March 2012 £m
Deferred tax assets			
Property, plant and equipment	73.5	(27.8)	45.7
Derivative financial instruments	-	28.1	28.1
Total	73.5	0.3	73.8
Deferred tax liabilities			
Investment properties	(70.8)	4.4	(66.4)
Other	(2.7)	(4.7)	(7.4)
Total	(73.5)	(0.3)	(73.8)
Net deferred tax asset/(liability)	-	-	-

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

- The deferred tax liability arising on investment properties has increased due to changes in the market value of the properties.
- 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 disclaimed.
- Included in the deferred tax balances for property, plant and equipment and investment properties is the deferred tax on revaluations of £21.4m recognised in Other Comprehensive Income.
- The deferred tax asset arising in respect of derivative financial instruments has increased due to movement in the fair value of derivatives.

The corporation tax rate was reduced from 26 per cent to 24 per cent on 1 April 2012 and from 24 per cent to 23 per cent on 1 April 2013. The Chancellor announced in his Autumn 2012 Statement that the UK corporation tax rate will reduce further to 21 per cent by 2014. In his March 2013 Budget Statement he announced that it will fall to 20 per cent on 1 April 2015.

The reduction in the rate to 23 per cent (effective from 1 April 2013) was substantively enacted on 3 July 2012. Deferred tax balances at 31 March 2013 therefore were calculated using this corporation tax rate.

It has not yet been possible to quantify the full anticipated effect of the announced further three per cent rate reduction, although this will reduce the Group's future current tax charge and deferred tax asset/liability accordingly.

No deferred tax asset has been recognised on the pension deficit of £2,813.2m as the principal employer is not a taxpaying entity. Future tax deductions for some contributions will be made in the taxable entities, however no deferred tax assets are being recognised in these entities.

11. Intangible assets

a) Group intangible assets

	Note	Software costs £m	Intangible assets under construction £m	Goodwill £m	Total £m
Cost					
At 1 April 2011		207.0	21.0	242.9	470.9
Additions		9.9	23.9	-	33.8
Acquisitions		-	-	106.3	106.3
Transfers to property, plant and equipment	12	-	(6.7)	-	(6.7)
Transfers between asset classes		7.6	(7.6)	-	-
At 31 March 2012		224.5	30.6	349.2	604.3
Additions		**18.8**	**21.0**	**-**	**39.8**
Transfers from property, plant and equipment	12	**0.3**	**-**	**-**	**0.3**
Transfers between asset classes		**15.7**	**(15.7)**	**-**	**-**
Disposals		**(30.0)**	**-**	**-**	**(30.0)**
At 31 March 2013		**229.3**	**35.9**	**349.2**	**614.4**
Amortisation and impairment					
At 1 April 2011		88.4	-	242.9	331.3
Amortisation charge for the year	3	52.7	-	-	52.7
Impairment	3	-	-	106.3	106.3
At 31 March 2012		141.1	-	349.2	490.3
Amortisation charge for the year	3	**50.5**	**-**	**-**	**50.5**
Disposals		**(30.0)**	**-**	**-**	**(30.0)**
At 31 March 2013		**161.6**	**-**	**349.2**	**510.8**
Net book value at 31 March 2013		**67.7**	**35.9**	**-**	**103.6**
Net book value at 31 March 2012		83.4	30.6	-	114.0

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

11. Intangible assets (continued)

b) Corporation intangible assets

	Note	Software costs £m	Intangible assets under construction £m	Total £m
Cost				
At 1 April 2011		151.8	7.7	159.5
Additions		0.7	1.1	1.8
Transfers between asset classes		2.4	(2.4)	-
At 31 March 2012		154.9	6.4	161.3
Additions		**8.0**	**1.8**	**9.8**
Transfers between asset classes		**3.5**	**(3.5)**	**-**
Transfer from property, plant and equipment	12	**0.3**	**-**	**0.3**
Disposals		**(27.3)**	**-**	**(27.3)**
At 31 March 2013		**139.4**	**4.7**	**144.1**
Amortisation and impairment				
At 1 April 2011		70.2	-	70.2
Amortisation charge for the year	3	39.3	-	39.3
At 31 March 2012		109.5	-	109.5
Amortisation charge for the year	3	**33.5**	**-**	**33.5**
Disposals		**(27.3)**	**-**	**(27.3)**
At 31 March 2013		**115.7**	**-**	**115.7**
Net book value at 31 March 2013		**23.7**	**4.7**	**28.4**
Net book value at 31 March 2012		45.4	6.4	51.8

Assets under construction comprise software assets under development by TfL.

12. Property, plant and equipment

a) Group property, plant and equipment at 31 March 2013 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 2012		26,843.0	4,069.0	1,374.5	5,859.5	38,146.0
Additions		**121.9**	**2.4**	**22.7**	**2,829.1**	**2,976.1**
Transfers to intangible assets	11	**-**	**-**	**(0.3)**	**-**	**(0.3)**
Disposals		**(322.9)**	**(188.9)**	**(153.0)**	**-**	**(664.8)**
Transfers between asset classes		**780.3**	**436.9**	**92.2**	**(1,309.4)**	**-**
Revaluation		**21.4**	**-**	**-**	**-**	**21.4**
At 31 March 2013		**27,443.7**	**4,319.4**	**1,336.1**	**7,379.2**	**40,478.4**
Depreciation						
At 1 April 2012		10,054.6	2,056.8	928.6	-	13,040.0
Depreciation charge for the year	3	**710.8**	**120.1**	**120.7**	**-**	**951.6**
Disposals		**(230.0)**	**(165.7)**	**(144.5)**	**-**	**(540.2)**
At 31 March 2013		**10,535.4**	**2,011.2**	**904.8**	**-**	**13,451.4**
Net book value at 31 March 2013		**16,908.3**	**2,308.2**	**431.3**	**7,379.2**	**27,027.0**
Net book value at 31 March 2012		16,788.4	2,012.2	445.9	5,859.5	25,106.0

12. Property, plant and equipment (continued)

b) Group property, plant and equipment at 31 March 2012 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 2011		25,658.9	3,857.2	1,331.6	5,121.0	35,968.7
Additions		175.6	3.8	24.7	2,413.0	2,617.1
Transfers from intangible assets	11	-	-	-	6.7	6.7
Disposals		(188.8)	(221.9)	(38.6)	-	(449.3)
Transfers between asset classes		1,194.5	429.9	56.8	(1,681.2)	-
Revaluation		2.8	-	-	-	2.8
At 31 March 2012		26,843.0	4,069.0	1,374.5	5,859.5	38,146.0
Depreciation						
At 1 April 2011		9,551.2	2,168.9	843.9	-	12,564.0
Depreciation charge for the year	3	662.3	109.8	123.2	-	895.3
Disposals		(156.8)	(221.9)	(38.5)	-	(417.2)
Revaluation		(2.1)	-	-	-	(2.1)
At 31 March 2012		10,054.6	2,056.8	928.6	-	13,040.0

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

Borrowing costs are included in the costs of qualifying assets to the extent that the asset is funded by borrowings. However, 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'). At the transition date, the majority of the projects funded by borrowing, including Crossrail, had already commenced and are therefore not impacted by IAS 23. As a result, the total borrowing costs capitalised during the year were £nil (2012 £nil). The cumulative borrowing costs capitalised are also £nil (2012 £nil).

At 31 March 2013, the Group had capital commitments which are contracted for but not provided for in the financial statements amounting to £3,776.1m (2012 £4,218.7m).

12. Property, plant and equipment (continued)

c) Group PFI assets, and other leased assets

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

	Infrastructure and office buildings £m	Rolling stock £m	Plant and equipment £m	Total £m
Gross cost				
PFI assets	**965.3**	**45.3**	**16.7**	**1,027.3**
Other leased assets	**-**	**407.7**	**-**	**407.7**
	965.3	**453.0**	**16.7**	**1,435.0**
Depreciation				
PFI assets	**261.9**	**30.1**	**14.3**	**306.3**
Other leased assets	**-**	**109.5**	**-**	**109.5**
	261.9	**139.6**	**14.3**	**415.8**
Net book value at 31 March 2013	**703.4**	**313.4**	**2.4**	**1,019.2**
Net book value at 31 March 2012	822.1	327.6	4.1	1,153.8

d) Depreciation charge

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

	2013 £m	2012 £m
Depreciation of owned assets	**891.3**	831.1
Depreciation of assets held under PFI	**50.5**	54.4
Depreciation of asset held under other leases	**9.8**	9.8
Total depreciation	**951.6**	895.3

12. Property, plant and equipment (continued)

e) Group office buildings
Office buildings are valued at fair value (open market value on an existing use basis), by DTZ, a property valuation company not connected with the Group, and by chartered surveyors working for Transport for London, in accordance with Royal Institution of Chartered Surveyors (RICS) Guidelines. Valuations are performed on a rolling basis, with approximately 75 per cent of the portfolio by value being valued each year. The value of these buildings at 31 March 2013 was £144.8m (2012 £129.9m) and the historic cost was £74.1m (2012 £78.8m).

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

These assets are primarily former operational assets of the TfL group whose legal title is retained by the Corporation. Due to the diverse nature of the assets held and the lack of comparable market values, the cost of obtaining a valuation of TfL's heritage assets is such that it would not be commensurate with the benefits provided to users of the financial statements. The assets therefore remain recorded in the accounts at historical cost less accumulated depreciation. The collections have been externally valued for insurance purposes only. Management do not consider these insurance valuations to be necessarily indicative of open market fair value and hence have not incorporated the insurance values into the financial statements. As at 31 March 2013 the latest available insurance value for the collection was £23.5m (2012 £23.5m). The net book value of these assets at 31 March 2013 was £nil (2012 £nil).

12 Property, plant and equipment (continued)

g) Corporation property, plant and equipment at 31 March 2013 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 2012		4,863.8	197.8	883.7	5,945.3
Additions		**48.1**	**0.5**	**88.5**	**137.1**
Transfers to intangible assets	11	**-**	**(0.3)**	**-**	**(0.3)**
Disposals		**(156.9)**	**(28.1)**	**-**	**(185.0)**
Transfers between asset classes		**81.9**	**18.9**	**(100.8)**	**-**
At 31 March 2013		**4,836.9**	**188.8**	**871.4**	**5,897.1**
Depreciation					
At 1 April 2012		2,365.3	146.8	-	2,512.1
Depreciation charge for the year	3	**136.2**	**22.3**	**-**	**158.5**
Disposals		**(156.2)**	**(28.0)**	**-**	**(184.2)**
At 31 March 2013		**2,345.3**	**141.1**	**-**	**2,486.4**
Net book value at 31 March 2013		**2,491.6**	**47.7**	**871.4**	**3,410.7**
Net book value at 31 March 2012		2,498.5	51.0	883.7	3,433.2

12. Property, plant and equipment (continued)

h) Corporation property, plant and equipment at 31 March 2012 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 2011		4,712.8	191.7	826.7	5,731.2
Additions		74.1	5.4	144.0	223.5
Disposals		(9.2)	(0.2)	-	(9.4)
Transfers between asset classes		86.1	0.9	(87.0)	-
At 31 March 2012		4,863.8	197.8	883.7	5,945.3
Depreciation					
At 1 April 2011		2,239.2	121.7	-	2,360.9
Depreciation charge for the year	3	132.9	25.3	-	158.2
Disposals		(6.8)	(0.2)	-	(7.0)
At 31 March 2012		2,365.3	146.8	-	2,512.1

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

Direct borrowing costs are included in the cost of qualifying assets to the extent that the asset is funded by borrowings. However, the Corporation 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'). At the transition date, the majority of the projects funded by borrowing, including Crossrail, had already commenced and are therefore not impacted by IAS 23. As a result, the total borrowing costs capitalised during the year were £nil (2012 £nil). The cumulative borrowing costs capitalised are also £nil (2012 £nil).

At 31 March 2013, the Corporation had capital commitments which are contracted for but not provided for in the financial statements amounting to £25.4m (2012 £35.2m).

12. Property, plant and equipment (continued)

i) Corporation PFI assets, and other leased assets

The net book value above includes the following amounts in respect of PFI assets. There are no other leased assets in the Corporation.

	Infrastructure and office buildings £m	Plant and equipment £m	Total £m
Gross cost			
PFI assets	**209.1**	**16.7**	**225.8**
Depreciation			
PFI assets	**65.3**	**14.2**	**79.5**
Net book value at 31 March 2013	**143.8**	**2.5**	**146.3**
Net book value at 31 March 2012	151.4	4.1	155.5

j) Depreciation charge

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

	2013 £m	2012 £m
Depreciation of owned assets	**149.3**	148.9
Depreciation of assets held under PFI	**9.2**	9.3
Total depreciation	**158.5**	158.2

k) Corporation office buildings

The Corporation did not have any office buildings.

13. Investment properties

	Note	Group £m	Corporation £m
Valuation			
At 1 April 2011		294.3	13.8
Additions		0.8	0.8
Disposals		(8.8)	(2.4)
Fair value adjustments	7	21.4	9.4
At 31 March 2012		307.7	21.6
Disposals		**(11.4)**	**(11.4)**
Fair value adjustments	7	**131.5**	**3.5**
At 31 March 2013		**427.8**	**13.7**

The fair value of the Group's investment properties at 31 March 2013 has been arrived at on the basis of valuations carried out at that date by DTZ, a property valuation company not connected with the Group, and by chartered surveyors working for Transport for London.

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

Values are calculated using a discounted cash flow approach and are based on current rental income plus anticipated uplifts at the next rent review, lease expiry or break option taking into consideration lease incentives. Uplifts and the discount rate are derived from rates implied by recent market transactions on similar properties.

14. Investments in subsidiaries

	Corporation 2013 £m	Corporation 2012 £m
At 1 April	**1,122.5**	472.5
Investments in year	**1,210.0**	650.0
At 31 March	**2,332.5**	1,122.5

During the year, the Corporation increased its investment in ordinary share capital of Transport Trading Limited (TTL) by £1,210.0m (2012 £650.0m). TTL subsequently increased its investment in ordinary share capital in Crossrail Limited by the same amount.

The Group's principal subsidiaries are:

Subsidiaries	Principal activity
Transport Trading Limited	Holding company
London Underground Limited	Passenger transport by underground train
LUL Nominee BCV Limited	Maintenance of underground lines
LUL Nominee SSL Limited	Maintenance of underground lines
Tube Lines (Holdings) Limited	Holding company
Tube Lines Limited	Maintenance of underground lines
Tube Lines (Finance) Plc	Financing company
UIC Transport (JNP) Limited	Holding company
Rail for London Limited	Passenger transport by rail
Docklands Light Railway Limited	Passenger transport by rail
City Airport Rail Enterprises Plc	Construction and maintenance of DLR lines
City Airport Rail Enterprises (Holdings) Limited	Holding company
Woolwich Arsenal Rail Enterprises Limited	Construction and maintenance of DLR lines
Woolwich Arsenal Rail Enterprises (Holdings) Limited	Holding company
Tramtrack Croydon Limited	Passenger transport by tram
London Bus Services Limited	Passenger transport by bus
London Buses Limited	Dial-a-Ride
Victoria Coach Station Limited	Coach station
London River Services Limited	Pier operator
Crossrail Limited	Construction of Crossrail infrastructure
Transport for London Finance Limited	Manages financial risk of the Group
London Transport Museum Limited	Charitable company
London Transport Museum (Trading) Limited	Trading company
London Transport Insurance (Guernsey) Limited	Insurance

The Group holds 100 per cent of the share capital of all subsidiaries. The financial statements of these companies are lodged at Companies House and also at the Charity Commission for the London Transport Museum Limited. The financial statements for the subsidiary companies for the year ended 31 March 2013 all received unqualified audit opinions.

15. Inventories

	Group 2013 £m	Group 2012 £m
Raw materials and consumables	**41.1**	36.9
Goods held for resale	**0.9**	0.7
	42.0	37.6

	Corporation 2013 £m	Corporation 2012 £m
Raw materials and consumables	**3.8**	2.9

There is no material difference between the balance sheet value of inventories and their net realisable value.

The movement on inventories was as follows:

	Group £m	Corporation £m
Balance at 1 April 2011	35.6	3.2
Purchases in the year	60.3	2.8
Recognised as an expense in the year:		
Consumed in the year	(55.0)	(3.0)
Goods sold in the year	(1.8)	-
Write-offs in the year	(1.5)	(0.1)
Balance at 31 March 2012	37.6	2.9
Purchases in the year	**60.2**	**4.8**
Recognised as an expense in the year:		
Consumed in the year	**(54.8)**	**(3.9)**
Goods sold in the year	**(0.9)**	**-**
Write-offs in the year	**(0.1)**	**-**
Balance at 31 March 2013	**42.0**	**3.8**

16. Debtors

	Group 2013 £m	Group 2012 £m
Short-term		
Trade debtors	**137.7**	155.0
Capital debtors	**8.5**	7.4
Other debtors	**40.7**	33.0
Other tax and social security	**98.5**	125.6
Grant debtors	**11.1**	55.1
Amounts due relating to sale of non-current assets	**27.9**	7.9
Interest debtors	**2.6**	2.0
Prepayments and accrued income	**157.8**	137.3
	484.8	523.3
Long-term		
Amounts due from third parties	**243.7**	152.6
Amounts due relating to sale of non-current assets	**8.0**	-
Prepayments for goods and services	**25.7**	11.8
	277.4	164.4

Long-term amounts due from third parties include funds totalling £250.2m (2012 £160.4m) advanced to Network Rail Infrastructure Limited to provide interim financing for the construction of assets related to the Crossrail project. £89.8m was advanced at periodic intervals during 2012/13. The receivable is non interest bearing and has been discounted to its fair value of £243.7m (2012 £152.6m) using a discount rate of 2.453 per cent (2012 2.417 per cent). It is repayable in full on 15 May 2014.

16. Debtors (continued)

	Corporation 2013 £m	Corporation 2012 £m
Short-term		
Trade debtors	**26.2**	23.1
Amounts due from subsidiary companies	**311.9**	41.1
Capital debtors	**8.4**	3.4
Other debtors	**1.2**	1.4
Other tax and social security	**6.6**	13.4
Grant debtors	**-**	33.8
Amounts due relating to sale of non-current assets	**14.1**	1.7
Interest debtors	**2.4**	1.7
Prepayments and accrued income	**19.2**	20.7
	390.0	140.3
Long-term		
Loans made to subsidiary companies	**7,142.0**	6,498.9

17. Other investments

	Group 2013 £m	Group 2012 £m
Short-term		
Investments held at amortised cost	**3,583.8**	2,582.9
Long-term		
Available for sale financial assets	**209.2**	-

	Corporation 2013 £m	Corporation 2012 £m
Short-term		
Investments held at amortised cost	**3,583.8**	2,574.3
Long-term		
Available for sale financial assets	**209.2**	-

Short-term investments relate to investments in UK Treasury bills, deposits with UK clearing banks, and also to Money Market Fund and repurchase agreement investments with a maturity of greater than three but less than twelve months. Long-term investments comprise long-term deposits and similar investments tradeable on an active market with a maturity of greater than twelve months.

18. Cash and cash equivalents

	Group 2013 £m	Group 2012 £m
Cash at bank	**84.5**	62.8
Cash in hand and in transit	**15.9**	16.0
	100.4	78.8

	Corporation 2013 £m	Corporation 2012 £m
Cash at bank	**6.5**	7.5

19. Creditors

	Group 2013 £m	Group 2012 £m
Short-term		
Trade creditors	**150.6**	187.5
Accrued interest	**129.1**	97.0
Capital works	**578.8**	581.8
Retentions on capital contracts	**4.4**	9.7
Capital grants received in advance	**29.3**	38.4
Wages and salaries	**94.4**	84.2
Other taxation and social security creditors	**53.4**	34.1
Receipts in advance for travelcards, bus passes and Oyster cards	**307.6**	272.2
Other deferred income	**49.4**	49.2
Deferred consideration payable in relation to acquisitions	**-**	1.5
Accruals and other payables	**594.8**	594.5
	1,991.8	1,950.1
Long-term		
Trade creditors	**9.6**	13.2
Capital grants received in advance	**2.2**	1.6
Retentions on capital contracts	**22.5**	11.4
Other deferred income	**16.4**	16.5
Accruals and other payables	**9.3**	8.6
	60.0	51.3

19. Creditors (continued)

	Corporation 2013 £m	Corporation 2012 £m
Short-term		
Trade creditors	**36.1**	26.5
Accrued interest	**124.1**	93.5
Capital works	**37.2**	42.3
Retentions on capital contracts	**1.6**	1.9
Capital grants received in advance	**29.3**	38.4
Amounts due to subsidiary companies	**221.9**	226.6
Wages and salaries	**20.8**	17.3
Other taxation and social security creditors	**19.5**	1.3
Other deferred income	**14.4**	15.5
Accruals and other payables	**149.2**	157.4
	654.1	620.7
Long-term		
Capital grants received in advance	**2.2**	1.6
Retentions on capital contracts	**0.1**	0.6
Other deferred income	**7.9**	12.3
	10.2	14.5

20. Borrowings and overdrafts

	Group 2013 £m	Group 2012 £m
Short-term		
Borrowings	**1,138.4**	2,179.0
Long-term		
Borrowings	**6,393.2**	4,943.9

	Corporation 2013 £m	Corporation 2012 £m
Short-term		
Borrowings	**1,138.4**	2,179.0
Long-term		
Borrowings	**6,409.8**	4,951.6

Further information about the maturity and interest rate profiles of the Group and Corporation's borrowings is provided in note 28 (Funding and financial risk management).

21. Finance lease liabilities

a) Group finance lease liabilities

The Group holds a proportion of its property, plant and equipment under finance lease arrangements as outlined in note 12.

Finance lease liabilities on the balance sheet are calculated as the present value of minimum lease payments outstanding.

	Minimum lease payments £m	Interest £m	Principal (present value of minimum lease payments) £m
At 31 March 2013			
Not later than one year	**124.9**	**(56.0)**	**68.9**
Later than one year but not later than two years	**127.5**	**(51.7)**	**75.8**
Later than two years but not later than five years	**381.5**	**(123.8)**	**257.7**
Later than five years	**664.5**	**(176.2)**	**488.3**
	1,298.4	**(407.7)**	**890.7**
At 31 March 2012			
Not later than one year	135.9	(67.7)	68.2
Later than one year but not later than two years	134.0	(63.5)	70.5
Later than two years but not later than five years	419.8	(158.6)	261.2
Later than five years	902.2	(274.6)	627.6
	1,591.9	(564.4)	1,027.5

	2013 £m	2012 £m
Principal outstanding		
Short-term	**68.9**	68.2
Long-term	**821.8**	959.3
	890.7	1,027.5

21. Finance lease liabilities (continued)

b) Corporation finance lease liabilities

The Corporation holds a proportion of its property, plant and equipment under finance lease arrangements as outlined in note 12.

Finance lease liabilities on the balance sheet are calculated as the present value of minimum lease payments outstanding.

	Minimum lease payments £m	Interest £m	Principal (present value of minimum lease payments) £m
At 31 March 2013			
Not later than one year	**17.0**	**(8.4)**	**8.6**
Later than one year but not later than two years	**16.0**	**(8.1)**	**7.9**
Later than two years but not later than five years	**55.2**	**(21.9)**	**33.3**
Later than five years	**182.3**	**(40.2)**	**142.1**
	270.5	**(78.6)**	**191.9**
At 31 March 2012			
Not later than one year	16.3	(8.5)	7.8
Later than one year but not later than two years	15.7	(8.1)	7.6
Later than two years but not later than five years	49.3	(22.4)	26.9
Later than five years	199.5	(46.9)	152.6
	280.8	(85.9)	194.9

	2013 £m	2012 £m
Principal outstanding		
Short-term	**8.6**	7.8
Long-term	**183.3**	187.1
	191.9	194.9

22. Private finance initiative contracts

Private Finance Initiative contracts accounted for under IFRIC 12 Service concession arrangements

The Group is party to the following Private Finance Initiative ('PFI') arrangements where the Group controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement. These arrangements are treated as service concession arrangements and are accounted for in accordance with IFRIC 12 Service concession arrangements ('IFRIC 12').

The Group therefore recognises PFI assets as items of plant, property and equipment together with a liability to pay for them (see note 12 for details of PFI assets). The fair values of services received under the contract are recorded as operating expenses.

In accordance with IFRIC 12, 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 DBFO Company and the payment mechanisms defined in the contract.

22. Private finance initiative contracts (continued)

Contract	Contract dates	Description
London Underground Limited ('LU')		
Connect	1999 to 2019 with a voluntary break option on provision of 12 months' written notice	Design, installation, management and maintenance of integrated digital radio system. The contract requires LU to make an annual unitary payment which is adjusted for indexation and performance as specified in the contract.
Power	1998 to 2028 with a voluntary break option from 2013 and every five years thereafter, subject to at least 12 months' written notice	Procurement, maintenance and management of the electricity supply services for the Emergency Supply Plan for London Underground and the Northern Line Power Upgrade. The contract required LU to make an annual unitary payment which is charged monthly and adjusted for any penalties relating to adverse performance against output measures describing all relevant aspects of the contract. On 12 August 2012 LU exercised its break option under the contract and, during the year, repaid the finance lease liability outstanding in respect of the assets. The contract is due to fully terminate in August 2013.
British Transport Police (London Underground)	1999 to 2021 with a voluntary break option on provision of 12 months' written notice	Provision and ongoing management and maintenance of operational infrastructure to support efficient policing of the Jubilee Line Extension and the delivery of the long-term policing strategy for LU. The contract requires LU to make a base annual unitary payment which is adjusted for indexation and performance as specified in the contract.

22. Private finance initiative contracts (continued)

Contract	Contract dates	Description
Docklands Light Railway Limited ('DLR')		
Greenwich	1996 to 2021	Design, construction and ongoing maintenance of the Greenwich extension to the Docklands Light Railway. The contract requires DLR to make payments, which are charged monthly and adjusted for any penalties relating to adverse performance against output measures describing all relevant aspects of the contract.

PFI finance lease liabilities

The following PFI finance lease liabilities are included within total finance liabilities in note 21.

	Group 2013 £m	Group 2012 £m	**Corporation 2013 £m**	Corporation 2012 £m
At 1 April	**674.2**	1,049.9	**195.0**	202.4
Disposal on acquisition of CARE and WARE	**-**	(324.0)	**-**	-
Payments	**(164.1)**	(114.1)	**(16.4)**	(16.2)
Interest	**36.7**	62.4	**8.5**	8.8
At 31 March	**546.8**	674.2	**187.1**	195.0

22. Private finance initiative contracts (continued)

Group

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

As at 31 March 2013	Payments of interest £m	Repayment of capital £m	Payments for service charges £m	Total amount payable under non-cancellable PFI arrangements £m
Less than 1 year	**29.8**	**56.1**	**70.9**	**156.8**
Between 1 to 5 years	**68.7**	**156.4**	**149.4**	**374.5**
Between 5 to 10 years	**48.6**	**213.1**	**298.8**	**560.5**
Between 10 to 15 years	**15.5**	**108.6**	**226.3**	**350.4**
Between 15 to 20 years	**0.8**	**12.6**	**47.3**	**60.7**
	163.4	**546.8**	**792.7**	**1,502.9**
As at 31 March 2012				
Less than 1 year	40.7	54.1	112.2	207.0
Between 1 to 5 years	127.8	264.4	458.7	850.9
Between 5 to 10 years	79.2	193.2	536.1	808.5
Between 10 to 15 years	41.4	117.4	399.5	558.3
Between 15 to 20 years	4.5	45.1	141.9	191.5
	293.6	674.2	1,648.4	2,616.2

22. 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:

As at 31 March 2013	Payments of interest £m	Repayment of capital £m	Payments for service charges £m	Total amount payable under non-cancellable PFI arrangements £m
Less than 1 year	**8.1**	**7.6**	**12.6**	**28.3**
Between 1 to 5 years	**29.0**	**37.3**	**66.6**	**132.9**
Between 5 to 10 years	**26.4**	**51.1**	**124.4**	**201.9**
Between 10 to 15 years	**13.1**	**78.5**	**156.2**	**247.8**
Between 15 to 20 years	**0.8**	**12.6**	**47.3**	**60.7**
	77.4	**187.1**	**407.1**	**671.6**
As at 31 March 2012				
Less than 1 year	8.5	7.8	10.7	27.0
Between 1 to 5 years	30.5	34.5	60.3	125.3
Between 5 to 10 years	28.6	51.0	109.0	188.6
Between 10 to 15 years	16.4	75.3	161.8	253.5
Between 15 to 20 years	1.9	26.4	76.0	104.3
	85.9	195.0	417.8	698.7

23. Derivative financial instruments

Group: cash flow hedges

	Fair value 2013 £m	**Notional amount 2013 £m**	Fair value 2012 £m	Notional amount 2012 £m
Short-term assets				
Gilt locks	-	-	0.8	350.0
Short-term liabilities				
Interest rate swaps	-	-	1.0	300.0
Gilt locks	-	-	6.5	472.8
Foreign currency forward contracts	-	-	0.5	9.7
	-	-	8.0	782.5
Long-term liabilities				
Interest rate swaps	**116.3**	**834.4**	74.0	836.9

The Corporation has not entered into any derivative financial instruments.

24. Provisions

a) Group provisions

	At 1 April 2012 £m	Payments in the year £m	Charge for the year £m	Releases in the year £m	At 31 March 2013 £m
Compensation	25.5	(10.3)	27.2	(10.1)	**32.3**
Capital investment activities	225.6	(25.9)	72.4	(68.6)	**203.5**
Environmental harm	0.9	(0.9)	1.4	-	**1.4**
Other	23.5	(9.4)	2.9	(12.5)	**4.5**
	275.5	(46.5)	103.9	(91.2)	**241.7**

	2013 £m	2012 £m
Due		
Short-term	**162.3**	140.8
Long-term	**79.4**	134.7
At 31 March	**241.7**	275.5

b) Corporation provisions

	At 1 April 2012 £m	Payments in the year £m	Charge for the year £m	Releases in the year £m	At 31 March 2013 £m
Compensation	15.7	(8.0)	15.8	(9.5)	**14.0**
Capital investment activities	225.6	(25.9)	72.4	(68.6)	**203.5**
Other	3.7	(1.5)	2.4	(1.4)	**3.2**
	245.0	(35.4)	90.6	(79.5)	**220.7**

	2013 £m	2012 £m
Due		
Short-term	**151.6**	132.4
Long-term	**69.1**	112.6
At 31 March	**220.7**	245.0

24. Provisions (continued)

c) Nature of provisions

Compensation

The Group has provisions for expected compensation and contractual claims that arise in respect of disputes arising in the ordinary course of business. The provisions recorded are based on management's best estimate at the balance sheet date of the likely loss to be incurred through settlement. Reflecting the inherent uncertainty with many legal proceedings and claim settlements, the timing and amount of the outflows could differ from the amount provided. Based on current estimates management expects that these amounts, which are based on known facts and take account of past experience for similar items, will be settled within the next one to five years. Where material the provision held is discounted to its present value.

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 two years.

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. Management expects these provisions to be settled within the next six years.

Other

Other provisions include voluntary severance costs arising from reorganisations and other smaller claims.

25. Contingencies

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

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

26. Guarantees

Section 160 of the Greater London Authority Act 1999 (the 'Act') sets out the conditions under which TfL may give certain guarantees, indemnities or similar arrangements. Under Section 161 of the Act TfL is obliged to disclose in its annual report details of all guarantees etc. so given.

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

TfL has given guarantees in respect of some of its subsidiary companies' contracts. The amount that could be payable by TfL under the guarantees (as described below) varies depending on a number of factors, including, inter alia, responsibility for termination of the underlying contract, when termination occurs during the life of the contract, breakage cost and other contractual costs 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. For the avoidance of doubt, these amounts may 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 City Link	502
Agreement with QW Rail Leasing Ltd	290
Agreement with PADCo and EDF Energy Powerlink Ltd	168
Agreement with Pittville Leasing Limited	51
Agreement with APSLL	4

In addition TfL also guarantees the payments of certain of its subsidiaries under a number of other service and construction contracts. It guarantees Crossrail Limited's payments to Canary Wharf Properties (Crossrail) Limited under a Development Agreement. It guarantees London Underground Limited's termination obligations under the Northern line train service contracts and the Jubilee Line Agreement. It guarantees Docklands Light Railway Limited's intercompany obligations to City Airport Railway Enterprises PLC and Woolwich Arsenal Railway Enterprises Limited under the CARE and WARE service contracts. TfL also guarantees pension liabilities due to the London Pension Fund Authority from Serco Limited in respect of employees working on the Woolwich Ferry.

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 acts as a guarantor in respect of Tube Lines (Finance) Plc's external borrowings which have a nominal value of £72.1m (2012 £75.0m).

26. Guarantees (continued)

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 is £116.3m (2012 £81.2m).

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) and no indemnities associated with the guarantees were given by virtue of section 160 (5) of the Greater London Authority Act 1999.

All guarantees granted by TfL are over obligations of its subsidiaries which 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 2013 the fair value of all financial guarantees granted has been recorded as £nil (2012 £nil).

27. Financial commitments

a) Operating leases – The Group as lessee

The Group operating lease agreements primarily relate to office space, motor vehicles and rail access. All leases have been entered into on commercial terms.

The Group is committed to the following future minimum lease payments under non-cancellable operating leases:

	Land and buildings £m	Rail access £m	Motor vehicles £m	Rolling stock £m	Total £m
At 31 March 2013					
Within one year	**50.8**	**9.0**	**4.7**	**16.4**	**80.9**
Between one and two years	**48.6**	**4.6**	**3.1**	**16.4**	**72.7**
Between two and five years	**128.8**	**6.7**	**1.2**	**49.1**	**185.8**
Later than five years	**454.7**	**3.7**	**-**	**151.4**	**609.8**
	682.9	**24.0**	**9.0**	**233.3**	**949.2**
At 31 March 2012					
Within one year	56.4	7.5	3.7	16.5	84.1
Between one and two years	62.3	4.0	2.8	16.4	85.5
Between two and five years	118.7	6.0	0.8	49.3	174.8
Later than five years	465.0	33.9	-	168.2	667.1
	702.4	51.4	7.3	250.4	1,011.5

27. Financial commitments (continued)

b) Operating leases – The Group as lessor

The Group leases out commercial, retail and office property, rail access and land that its holds as a result of its infrastructure holdings.

At the balance sheet date, the Group had contracted with customers for the following future minimum lease payments:

	Land and buildings £m	Rail access £m	Motor vehicles £m	Total £m
At 31 March 2013				
Within one year	**42.4**	**7.6**	**0.3**	**50.3**
Between one and two years	**36.8**	**3.8**	**0.1**	**40.7**
Between two and five years	**81.1**	**4.8**	**-**	**85.9**
Later than five years	**424.0**	**3.9**	**-**	**427.9**
	584.3	**20.1**	**0.4**	**604.8**
At 31 March 2012				
Within one year	38.2	6.0	0.2	44.4
Between one and two years	33.4	3.2	0.2	36.8
Between two and five years	72.7	8.6	-	81.3
Later than five years	413.0	-	-	413.0
	557.3	17.8	0.4	575.5

27. Financial commitments (continued)

c) Operating leases – The Corporation as lessee

The Corporation operating lease agreements primarily relate to office space. All leases have been entered into on commercial terms.

The Corporation is committed to the following future minimum lease payments under non-cancellable operating leases:

	Land and buildings £m	Total £m
At 31 March 2013		
Within one year	**22.0**	**22.0**
Between one and two years	**20.0**	**20.0**
Between two and five years	**55.7**	**55.7**
Later than five years	**166.6**	**166.6**
	264.3	**264.3**
At 31 March 2012		
Within one year	25.9	25.9
Between one and two years	23.8	23.8
Between two and five years	65.2	65.2
Later than five years	211.0	211.0
	325.9	325.9

27. Financial commitments (continued)

d) Operating leases – The Corporation as lessor

The Corporation leases out commercial, retail and office property and land that its holds as a result of its infrastructure holdings.

At the balance sheet date, the Corporation had contracted with customers for the following future minimum lease payments:

	Land and buildings £m	Total £m
At 31 March 2013		
Within one year	**1.3**	**1.3**
Between one and two years	**1.1**	**1.1**
Between two and five years	**2.2**	**2.2**
Later than five years	**6.6**	**6.6**
	11.2	**11.2**
At 31 March 2012		
Within one year	1.5	1.5
Between one and two years	1.4	1.4
Between two and five years	3.1	3.1
Later than five years	8.0	8.0
	14.0	14.0

28. Funding and financial risk management

Introduction

TfL is a statutory corporation established under the Greater London Authority Act 1999 ('the GLA Act'). TfL is funded by revenues (predominantly fares), grant and prudential borrowing. The majority of the Group's debt is issued by the statutory body, Transport for London, in the form of loans from the Public Works Loan Board, the European Investment Bank, Medium Term Notes under the £5 billion TfL Euro Medium Term Note programme, and short-term Commercial Paper under the £2 billion TfL Euro Commercial Paper programme. In addition, following the acquisition of Tube Lines (Holdings) Limited in June 2010, TfL guarantees the debt issued by Tube Lines (Finance) Plc.

Treasury Management

TfL has a Treasury Management Policy, which requires the TfL Board to approve a Treasury Management Strategy on at least an annual basis, prior to the commencement of each financial year.

The Treasury Management Strategy also takes account of the CIPFA recommendations contained in the Code of Practice and Cross-Sectoral Guidance Notes (the Treasury Management Code) issued in 2011 for Treasury Management in the Public Services, the Local Government Act 2003, the Capital Finance and Accounts Regulations 2003 and the fully revised second edition of CIPFA's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) issued in 2011, in managing the financial risks faced by the Group.

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

TfL Group Treasury monitors the risk profile of its borrowing, investment and derivative programmes against approved benchmarks and provides regular reports to the Managing Director, Finance and the Chief Finance Officer. An annual report on overall performance against approved strategy is considered by the Finance and Policy Committee (a committee of the TfL Board). Section 49 of the TfL Act 2008 confers upon TfL the powers to use financial instruments for risk management purposes only.

28. Funding and financial risk management (continued)

The Prudential Borrowing Regime

TfL has the power to borrow as it is treated as a local authority for the purposes of financial management under the Local Government Act 2003. In accordance with this Act, the Mayor, in consultation with TfL, sets an affordable borrowing limit for external debt (including direct borrowing and other long-term liabilities). In setting these limits, the Mayor and the Corporation are required by regulation to have regard to the Prudential Code. Accordingly, the TfL Board annually approves indicators for prudent and affordable borrowing, estimates of capital expenditure and for interest rate exposures and the maturity profile of its borrowing.

TfL also agrees its maximum in-year incremental borrowing capacity with Government as part of the Comprehensive Spending Review 'funding settlement'.

Financial Risks and Risk Management

The Group is exposed to a number of financial risks in the normal course of its business operations, the key ones being:

- Credit risk
- Liquidity risk
- Market risk

Each of these risks is managed in accordance with the Group's comprehensive risk management process. The Board of Transport for London, through its Finance and Policy Committee, has approved and monitors the risk management processes, including documented treasury policies, counterparty limits, and controlling and reporting structures.

Credit risk

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

28. Funding and financial risk management (continued)

(i) Trade and other receivables

The majority of the Group's trade debtors are individuals who owe amounts relating to the use of transport infrastructure. The Group earns the majority of revenue through prepaid fares, and the receivables relate to penalty charges. The Group makes all reasonable attempts to recover penalty charges before providing against them. Other receivables include amounts due under contractual arrangements with suppliers, and include prepayments for work to be performed. These counterparties are assessed individually for their creditworthiness at the time of entering into contract and termination provisions are included to mitigate the Group's risk.

Age of trade debtors that are past due but not impaired

	Overdue by less than 3 months £m	Overdue by between 3 and 6 months £m	Overdue by between 6 months and 1 year £m	Overdue by more than 1 year £m	Total £m
Group – 2013					
Trade debtors	**36.3**	**2.6**	**1.0**	**2.6**	**42.5**
Group – 2012					
Trade debtors	10.7	3.2	0.9	2.1	16.9

	Overdue by less than 3 months £m	Overdue by between 3 and 6 months £m	Overdue by between 6 months and 1 year £m	Overdue by more than 1 year £m	Total £m
Corporation – 2013					
Trade debtors	**3.9**	**0.9**	**-**	**-**	**4.8**
Corporation – 2012					
Trade debtors	3.3	1.2	0.1	0.1	4.7

28. Funding and financial risk management (continued)

(ii) Investments

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

Investments are only made with institutions included on an Approved Investment List and within limits approved by the Finance and Policy Committee. The Approved Investments List includes i) the UK Government and its executive agency, the Debt Management Office; ii) UK Government guaranteed investments; iii) selected financial institutions with high (investment grade) credit ratings from a credit rating agency; iv) selected supranational or sub-sovereign agencies with high credit ratings; or, v) selected Money Market Funds with high credit ratings.

In determining whether to place an institution on the Approved Investment List, TfL considers the credit rating, financial position and jurisdiction of the institution, the market pricing of credit default swaps for the institution, any implicit or explicit Government support for the institution and any other relevant factors that could influence the institution's general creditworthiness.

Counterparty limits are set according to the assessed risk of each counterparty and exposures are monitored against these limits on a regular basis. Deposit limits per institution on the Approved Investment List, and the maximum term of deposits, are linked to the credit rating of the institution (in the range of A+ to AAA) at the time of making the deposit).

The centrally managed cash reserves at 31 March 2013 totalled £3,793.0m (2012 £2,574.3m). TfL's operational cash reserves at 31 March 2013 were £2,335.0m (2012 £1,444.0m).

28. Funding and financial risk management (continued)

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

	Amount £m	Credit Rating (S&P/ Moody's/ Fitch)	Weighted average days to maturity
At 31 March 2013			
UK Debt Management Office	**788.3**	**AAA/Aa1/AAA**	**46**
Government guaranteed supranationals	**470.4**	**AAA/Aa1/AAA**	**302**
Other Government Agencies	**1,732.2**	**Minimum Aa1**	**108**
Money Market Funds	**424.5**	**AAA**	**44**
UK Banks	**377.6**	**A/A2/A to AA-/Aa3/AA-**	**75**
Total	**3,793.0**		**110**
At 31 March 2012			
UK Treasury Bills, UK Government Guaranteed Supranationals, UK Debt Management Office	1,418.3	AAA	64
Money Market Funds	846.0	AAA	34
UK Banks	310.0	A-/A3/A to A+/Aa2/AA	134
Total	2,574.3		63

The weighted average days to maturity of the Money Market Funds in the table above refers to the underlying assets held by the fund. TfL has same day access to its investments in Money Market Funds.

28. 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. The Group spreads its exposure over a number of counterparties, and have strict policies on how much exposure can be assigned to each counterparty.

The credit risk with regard to derivative financial instruments is limited because TfL has arrangements in place which limit the exposure with each bank to a threshold, which if breached, allows TfL to require the bank to post collateral in cash or eligible securities. TfL only envisages using these rights in the event that the financial strength of the institution has deteriorated since the limits were approved.

(iv) Guarantees
The Corporation provides guarantees to third parties under Section 160 of the GLA Act, as disclosed in note 26, which are deemed necessary for the fulfilment of its policies. The Group's policy is to recognise financial guarantees at fair value initially and amortise this over the life of the guarantee. Where indications are that a payment is likely to occur under a guarantee, this is accounted for as a provision, in accordance with the Code. As at 31 March 2013, the fair value of the Corporation's financial guarantees has been assessed as £nil (2012 £nil).

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Corporation manages liquidity risk by maintaining access to a number of sources of funding which are sufficient to meet anticipated funding requirements. As long as the affordable borrowing limit set by the Mayor is not exceeded, the Corporation is able to borrow from the Public Works Loan Board, raise debt on the capital markets through both its established Medium Term Note programme and Commercial Paper programme, borrow from Commercial Banks or utilise its overdraft facility and, subject to meeting the relevant criteria, borrow at competitive interest rates from the European Investment Bank. There is therefore no significant risk that it will be unable to raise finance to meet its planned capital commitments.

The contractual maturities of the Group and Company's financial liabilities are listed later in this note.

28. Funding and financial risk management (continued)

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income, expenditure or the value of its holdings of financial instruments. The Group, through its wholly owned subsidiary Transport for London Finance Limited, uses derivatives (hedging instruments) to reduce exposure to interest rate and foreign exchange rate movements (the hedged risks) on highly probable future transactions. The Group does not use derivative financial instruments for speculative purposes.

On inception, all derivatives are designated in highly effective hedge relationships and hedge accounting is applied. If a derivative should no longer satisfy the hedging criteria in accordance with adopted IAS 39 Financial Instruments: Recognition and measurement ('IAS 39'), hedge accounting ceases and the derivative is fair valued immediately through the Comprehensive Income and Expenditure Statement.

The use of derivative instruments can itself give rise to credit and market risk. Market risk is the possibility that future changes in interest rates may make a derivative more or less valuable. Since the Group uses derivatives for risk management, market risk relating to derivative instruments is principally offset by changes in the cash flows of the transactions being hedged.

For the years ended 31 March 2013 and 2012, no ineffectiveness was recognised and all derivatives were assessed as highly effective. Accordingly, the movement in the fair value of the derivatives was taken to reserves.

Foreign exchange risk
The Group has no material financial assets or liabilities denominated in foreign currencies, and thus has no translation exposure to gains or losses arising from movements in exchange rates. For 2012/13, the broad policy on managing transactional foreign exchange risk arising from contractual obligations with overseas providers was to pass the exchange risk to the vendor. For specific transactions where the risk was retained by the Group, exchange rate exposures were managed through the use of forward foreign exchange contracts. As at 31 March 2012, the Group held forward foreign exchange contracts to hedge planned future euro payments related to the construction of cable car infrastructure and the purchase of tram rolling stock. These contracts were settled during 2012/13. No forward foreign exchange contract remained outstanding at 31 March 2013.

Where funds were received in specific currencies in which the Group expected to have future exposures, the Investment Strategy made allowances to place these funds on deposit. This gave the Group the flexibility to offer certain payments in specific foreign currencies where required.

Sensitivity analysis on foreign exchange risk
As at 31 March 2012 the Group held Euro forward foreign exchange contracts with a combined nominal value of £9.7m which were designated as cash flow hedges. These contracts were settled during 2012/13 and as at 31 March 2013 no forward foreign exchange contracts are outstanding.

The Group has no other material exposure to foreign exchange rate movements.

28. Funding and financial risk management (continued)

Interest rate risk

As at 31 March 2013, 90 per cent (2012 74 per cent) of the Group's borrowings were at fixed rates of interest after hedging. The remaining 10 per cent was unhedged Commercial Paper which, although having fixed rates of interest for the duration of the note, in practice behaves more like variable rate debt if used on a revolving basis.

The Group is mainly exposed to interest rate risk on its planned future borrowings, which are agreed with Government as part of the funding settlement. As TfL is required by legislation to produce a balanced budget and produces a balanced business plan annually, any uncertainty over the cost of future borrowing requires funding to be set aside in the Business Plan against that risk rather than invested in the transport system.

In order to achieve certainty over the cost of a portion of its planned borrowing TfL holds a number of interest rate swaps and gilt locks, allowing additional funds to be allocated for investment in transport infrastructure in the Business Plan. As at 31 March 2013, the Group, through its wholly owned subsidiary Transport for London Finance Limited, held 18 interest rate swaps at a notional value of £834m (2012 23 interest rate swaps and gilt locks at a total notional value of £1,960m). The net fair value of these contracts at 31 March 2013 was a liability of £116.3m (2012 £80.7m). As the hedging was assessed as fully effective these unrealised losses have been recognised in the hedging reserve. In addition a cost of £117.7m representing the cash settled net cost of gilt locks taken out to hedge the interest rate on the £1,300m bonds issued during the year has been deferred in the hedging reserve and is being released profit or loss over the term of the bonds to which it relates. Amounts held in the hedging reserve are expected to impact the Comprehensive Income and Expenditure Statement over the period to December 2042.

The maturity of the forward fixing contracts is disclosed later in this note.

The Group is also exposed to interest rate risk in respect to its investments. Investments are made in accordance with the Investment Strategy, which prioritises security and liquidity over yield.

Sensitivity analysis on interest rate risk

Fair value sensitivity analysis for fixed interest instruments

All of the Group's non-derivative financial instruments with fixed rates of interest are accounted for at amortised cost. Fluctuations in market interest rates would therefore have no impact on the balance sheet or net income figures in respect of these items.

Fair value sensitivity analysis for derivative instruments

As at 31 March 2013, the Group holds interest rate derivative contracts with a combined notional value of £834m (2012 £1,960m) 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 £55.5m / (£55.4m) (2012 £60.1m / (£59.5m)).

Inflation risk

The Group has a number of exposures to inflation including staff pay awards and fares revenue. The Group has not entered into any derivative instrument to manage its exposure to inflation risk. At present, the risk is partially offset with index linked revenues and index linked costs creating a natural hedge within the Group.

28. Funding and financial risk management (continued)

Maturity profile of derivatives

The Group's derivatives have the following maturities:

	2013 Average exchange rate	**2013 Fair value £m**	**2013 Notional amount £m**	2012 Average exchange rate	2012 Fair value £m	2012 Notional amount £m
Foreign currency forward contracts						
Buy euro						
Less than 3 months	-	-	-	0.878	(0.4)	8.7
3 to 6 months	-	-	-	0.871	(0.1)	1.0
Total	-	-	-	0.877	(0.5)	9.7

	2013 Average contracted fixed interest rate (%)	**2013 Fair value £m**	**2013 Notional amount £m**	2012 Average contracted fixed interest rate (%)	2012 Fair value £m	2012 Notional amount £m
Interest rate hedges						
Less than one year	-	-	-	2.332	(6.7)	1,122.8
Between two and five years	**3.273**	**(27.6)**	**250.0**	-	-	-
After five years	**3.775**	**(88.7)**	**584.4**	3.623	(74.0)	836.9
Total	**3.624**	**(116.3)**	**834.4**	2.861	(80.7)	1,959.7

TfL was conferred the legal powers to enter into derivatives for the purpose of risk mitigation via qualifying subsidiaries. The Corporation does not itself have the legal powers to enter into derivative transactions. TfL has entered into these contracts for the purpose of risk management and intends to hold these contracts to maturity as hedges against the underlying transactions.

28. 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 – 2013					
Derivatives settled gross					
Foreign exchange forward contracts:					
Amounts receivable	**-**	**-**	**-**	**-**	**-**
Amounts payable	**-**	**-**	**-**	**-**	**-**
Derivatives settled net					
Interest rate swaps and gilt locks	**(18.0)**	**(23.9)**	**(61.3)**	**(18.0)**	**(121.2)**
	(18.0)	**(23.9)**	**(61.3)**	**(18.0)**	**(121.2)**
Group – 2012					
Derivatives settled gross					
Foreign exchange forward contracts:					
Amounts receivable	9.2	-	-	-	9.2
Amounts payable	(9.7)	-	-	-	(9.7)
Derivatives settled net					
Interest rate swaps and gilt locks	(14.9)	(13.4)	(54.0)	(2.5)	(84.8)
	(15.4)	(13.4)	(54.0)	(2.5)	(85.3)

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 2013, the fair value of the interest rate derivatives was a net liability of £116.3m (2012 £80.7m). The fair value of forward foreign exchange derivatives was a liability of £nil (2012 a liability of £0.5m).

28. 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 - 2013					
Trade and other creditors	**1,605.5**	**41.4**	**-**	**-**	**1,646.9**
Borrowings - principal	**1,139.6**	**26.3**	**432.7**	**5,966.0**	**7,564.6**
Borrowings - interest	**285.4**	**269.8**	**790.8**	**4,673.8**	**6,019.8**
Finance lease liabilities	**124.9**	**127.5**	**381.5**	**664.5**	**1,298.4**
	3,155.4	**465.0**	**1,605.0**	**11,304.3**	**16,529.7**
Group - 2012					
Trade and other creditors	1,950.1	51.3	-	-	2,001.4
Borrowings - principal	2,177.5	29.3	113.8	4,811.2	7,131.8
Borrowings - interest	232.8	226.4	669.7	4,144.9	5,273.8
Finance lease liabilities	135.9	134.0	419.8	902.2	1,591.9
	4,496.3	441.0	1,203.3	9,858.3	15,998.9
Corporation - 2013					
Trade and other payables	**610.4**	**0.1**	**-**	**-**	**610.5**
Borrowings - principal	**1,139.6**	**26.3**	**432.7**	**5,966.0**	**7,564.6**
Borrowings - interest	**285.4**	**269.8**	**790.8**	**4,673.8**	**6,019.8**
Finance lease liabilities	**17.0**	**16.0**	**55.2**	**182.3**	**270.5**
	2,052.4	**312.2**	**1,278.7**	**10,822.1**	**14,465.4**
Corporation - 2012					
Trade and other payables	620.7	14.5	-	-	635.2
Borrowings - principal	2,177.5	29.3	113.8	4,811.2	7,131.8
Borrowings - interest	232.8	226.4	669.7	4,144.9	5,273.8
Finance lease liabilities	16.3	15.7	49.3	199.5	280.8
	3,047.3	285.9	832.8	9,155.6	13,321.6

28. Funding and financial risk management (continued)

Fair values

In accordance with IAS 39, the fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents – approximates to the carrying amount
- Short term investments – approximates to the carrying amount because of the short maturity of these instruments
- Long-term investments – by reference to bid prices at the close of business on the balance sheet date, within Level 1 of the fair value hierarchy as defined within IFRS 7.
- Trade and other debtors - approximates to the carrying amount
- Derivative financial instruments – In the absence of quoted market prices, derivatives are valued by using quoted forward prices for the underlying commodity/currency and discounted using quoted interest rates (both as at the close of business on the balance sheet date). Hence, derivatives are within Level 2 of the fair value hierarchy as defined within IFRS 7.
  - Forward exchange contracts – based on market data and exchange rates at the balance sheet date
  - Interest rate swaps and forward starting interest rate swaps – based on the net present value of discounted cash flows
- Trade and other creditors - approximates to the carrying amount
- Long-term borrowings – determined by calculating the discounted value of the future cash flows (redemption and interest) using appropriate discount rates, based on observable market data, in effect at the balance sheet date at Level 2 of the fair value hierarchy. Fair value approximates to the carrying amount in the case of short-term commercial paper.
- Finance lease liabilities – approximates to the carrying amount.

28. Funding and financial risk management (continued)

Fair values (continued)

The fair values of the Group's financial assets and liabilities together with the carrying amounts recorded in the balance sheets are illustrated below:

	2013 Carrying value £m	2013 Fair value £m	2012 Carrying value £m	2012 Fair value £m
Cash and cash equivalents	100.4	100.4	78.8	78.8
Long-term investments	209.2	209.2	-	-
Short-term investments	3,583.8	3,583.8	2,582.9	2,582.9
Trade and other debtors	762.2	762.2	687.7	687.7
Derivative financial instruments	-	-	0.8	0.8
Total financial assets	**4,655.6**	**4,655.6**	3,350.2	3,350.2
Trade and other creditors	1,646.9	1,646.9	2,001.4	2,001.4
Borrowings	7,531.6	8,527.4	7,122.9	7,490.4
Finance lease liabilities	890.7	890.7	1,027.5	1,027.5
Derivative financial instruments	116.3	116.3	82.0	82.0
Total financial liabilities	**10,185.5**	**11,181.3**	10,233.8	10,601.3
Net financial liabilities	**(5,529.9)**	**(6,525.7)**	(6,883.6)	(7,251.1)

The fair values of financial assets and liabilities of the Corporation determined in accordance with IAS 39, together with the carrying amounts recorded in the balance sheet are:

	2013 Carrying value £m	2013 Fair value £m	2012 Carrying value £m	2012 Fair value £m
Cash and cash equivalents	6.5	6.5	7.5	7.5
Long-term investments	209.2	209.2	-	-
Short-term investments	3,583.8	3,583.8	2,574.3	2,574.3
Trade and other debtors	7,532.0	7,532.0	6,639.2	6,639.2
Total financial assets	**11,331.5**	**11,331.5**	9,221.0	9,221.0
Trade and other creditors	610.6	610.6	635.2	635.2
Borrowings	7,548.2	8,527.4	7,130.6	7,490.4
Finance lease liabilities	191.9	191.9	194.9	194.9
Total financial liabilities	**8,350.7**	**9,329.9**	7,960.7	8,320.5
Net financial assets	**2,980.8**	**2,001.6**	1,260.3	900.5

29. Pensions

The majority of the Group's staff are members of two of the sections of the TfL Pension Fund, namely the Public Sector Section and the Tube Lines Section. The majority of the Group's remaining staff belong to the Local Government Pension Scheme, the Principal Civil Service Pension Scheme or the Tube Lines defined contribution scheme.

a) Amount included in net cost of services

	Note	Group 2013 £m	Group 2012 £m	Corporation 2013 £m	Corporation 2012 £m
TfL Pension Fund		**226.3**	174.0	**-**	-
Local Government Pension Scheme		**0.1**	1.3	**0.1**	1.3
Unfunded schemes provision		**3.1**	5.9	**2.4**	2.6
Schemes accounted for as defined benefit		**229.5**	181.2	**2.5**	3.9
TfL Pension Fund		**-**	-	**51.5**	36.8
Principal Civil Service Pension Scheme		**0.7**	0.8	**0.6**	0.7
Other schemes		**10.6**	15.8	**0.3**	1.2
Amount included in net cost of services	3	**240.8**	197.8	**54.9**	42.6

The service cost for the Corporation for the TfL Pension Fund represents the employer's contributions payable.

b) Defined benefit schemes

This section deals with those pension funds to which the Group contributes that are accounted for under IAS 19 as defined benefit schemes.

TfL Pension Fund
The TfL Pension Fund is a final salary scheme established under trust. The Fund's Trustee is the TfL Trustee Company Limited, a wholly owned subsidiary of TfL. Under the rules of the Fund, its 18 Trustee Directors are nominated in equal numbers by TfL and on behalf of the Fund's membership.

Every three years, the TfL Pension Fund's actuary makes valuations and recommends the level of contributions to be made by the participating employers to ensure the long-term solvency of the Fund. The latest valuation of the Fund was carried out as at 31 March 2012 by the Actuary, a partner of consulting actuaries Towers Watson, using the projected unit method. A revised Schedule of Contributions was agreed between the Trustee and the employers following the formal funding valuation of the TfL Pension Fund.

For the Public Sector Section, employer's contributions for the period from 1 April 2013 until 31 March 2020 will continue to be 31.0 per cent, with an additional lump sum payment due by 31 March 2018. The recovery plan states that the expectation is that the funding shortfall will be eliminated by 31 March 2020.

For the Tube Lines Section, employers' contributions from 1 April 2013 will increase from 20.95 per cent to 23.15 per cent, with additional lump sum contributions of £1.02m per month from 1 April 2012 until 31 October 2015 (adjusted annually for inflation each 1 April). The recovery plan states that the expectation is that the funding shortfall will be eliminated by 31 October 2015.

29. Pensions (continued)

b) Defined benefit schemes (continued)

The Corporation and the Group both account for pension costs in accordance with IAS 19. The underlying assets and defined benefit obligation of the Public Sector Section cover a number of Group entities and cannot be readily split between each undertaking on a consistent and reliable basis. Thus, in accordance with the standard, the Corporation treats contributions to the Public Sector Section as if they were contributions to a defined contribution plan. The pension cost recognised in the Corporation's financial statements for the Public Sector Section is the amount of contributions payable to the scheme during the year.

A separate valuation of the Public Sector and Tube Lines sections of the TfL Pension Fund has been prepared for accounting purposes on an IAS 19 basis as at 31 March 2013. The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, whilst the present value of the schemes' defined benefit obligation is derived from cash flow projections. Due to the timescale covered, neither the assumptions nor the cash flow projections may necessarily be borne out in practice.

The defined benefit obligation for the TfL Pension Fund has been calculated using the mortality assumptions adopted for the latest funding valuation as at 31 March 2012. 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 2011 projections with a long term improvement rate of 1.0 per cent per annum.

Local Government Pension Scheme
The Local Government Pension Scheme is a funded multi-employer defined benefit scheme. 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 15.8 per cent (2011/12 15.8 per cent) of pensionable pay. The Corporation's share of the underlying assets and defined benefit obligation resulted in a deficit of £35.6m (2011/12 £36.7m). The last full actuarial valuation was carried out at 31 March 2010. The annual report and financial statements for the whole scheme can be found on the London Pensions Fund Authority website (www.lpfa.org.uk).

Unfunded pension costs
The Group bears the cost of the augmentation of the pensions of certain employees, who retire early under voluntary severance arrangements.

In addition, the Group also bears the cost of:

- ex-gratia payments which are made to certain former employees on retirement in respect of service prior to the establishment of pension funds for those employees;
- supplementary pensions, which are made to certain former employees who retired prior to index linking of pensions;
- pensions of London Regional Transport (LRT) former board members who did not qualify to join the TfL Pension Fund.

On 31 March 2013, the obligations of subsidiary companies in respect of these costs were transferred to the Corporation. Punter Southall, consulting actuaries, were instructed to report on the financial position of the unfunded pension defined benefit obligation as at 31 March 2013 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 2013 was £67.8m (2012 £63.4m), and is fully provided for in these financial statements.

29. Pensions (continued)

(b) Defined benefit schemes (continued)

Assumptions for defined benefit sections

The main actuarial assumptions used for the TfL Pension Fund and the Local Government Pension Scheme (together 'the Schemes') and unfunded schemes were:

	IAS 19 valuation at 31 March 2013 %	IAS 19 valuation at 31 March 2012 %
RPI Inflation	**3.35-3.40**	2.95-3.30
CPI Inflation	**2.60**	2.50
Rate of increase in salaries	**3.85-4.30**	3.70-4.20
Rate of increase in pensions in payment and deferred pensions	**2.60-3.35**	2.50-3.10
Discount rate	**3.75-4.60**	4.45-4.75
Investment return	**5.5**	5.9

29. Pensions (continued)

c) Accounting

The total assets in the Schemes and the expected rate of return were:

	Expected return % pa	**2013 Value at 31 March £m**	Expected return % pa	2012 Value at 31 March £m
Equities and alternatives	**6.0**	**4,751.6**	6.3	4,058.4
Bonds	**3.4**	**2,026.2**	3.8	1,869.1
Cash and other	**2.5**	**7.4**	2.8	29.7
Total fair value of assets		**6,785.2**		5,957.2

The TfL Pension Fund's and the Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2013 %	31 March 2012 %
Equities	**70**	68
Bonds	**30**	32
	100	100

The unfunded pension schemes have no assets to cover their defined benefit obligation.

29. Pensions (continued)

Total pension deficit at the end of the year

Group	2013 £m	2012 £m
Fair value of scheme assets	**6,785.2**	5,957.2
Actuarial valuation of defined benefit obligation	**(9,598.4)**	(8,249.9)
Deficit recognised as a liability in the balance sheet	**(2,813.2)**	(2,292.7)

Group	2013 £m	2012 £m
TfL Pension Fund – Public Sector section	**(2,629.6)**	(2,134.3)
TfL Pension Fund – Tube Lines section	**(80.2)**	(58.3)
Local Government Pension Scheme	**(35.6)**	(36.7)
Unfunded schemes provision	**(67.8)**	(63.4)
Deficit recognised as a liability in the balance sheet	**(2,813.2)**	(2,292.7)

Corporation	2013 £m	2012 £m
Fair value of scheme assets	**35.0**	25.5
Actuarial valuation of defined benefit obligation	**(138.4)**	(94.9)
Deficit recognised as a liability in the balance sheet	**(103.4)**	(69.4)

Corporation	2013 £m	2012 £m
Local Government Pension Scheme	**(35.6)**	(36.7)
Unfunded schemes provision	**(67.8)**	(32.7)
Deficit recognised as a liability in the balance sheet	**(103.4)**	(69.4)

29. Pensions (continued)

Analysis of amounts included in the Comprehensive Income and Expenditure Statement

Analysis of amounts charged to net cost of services

	Group 2013 £m	Group 2012 £m	Corporation 2013 £m	Corporation 2012 £m
Current service cost	**227.9**	187.3	**1.6**	1.3
Past service cost	**1.6**	5.9	**0.9**	2.6
Curtailment and settlements	**-**	(12.0)	**-**	-
	229.5	181.2	**2.5**	3.9

Amounts charged to financing and investment income and expenditure

	Group 2013 £m	Group 2012 £m	Corporation 2013 £m	Corporation 2012 £m
Interest on schemes' defined benefit obligations	**390.9**	409.2	**4.3**	4.4
Expected return on Schemes' assets	**(342.9)**	(406.5)	**(1.5)**	(1.7)
	48.0	2.7	**2.8**	2.7

Amount recognised in other comprehensive income and expenditure

	Group 2013 £m	Group 2012 £m	Corporation 2013 £m	Corporation 2012 £m
Actuarial loss recognised in the year	**517.7**	755.2	**0.1**	12.7
Cumulative loss recognised at the end of the year	**2,429.4**	1,911.7	**44.3**	44.2

Analysis of scheme defined benefit obligation into amounts arising from schemes that are wholly or partly funded and wholly unfunded

	Group 2013 £m	Group 2012 £m	Corporation 2013 £m	Corporation 2012 £m
Wholly unfunded schemes	**67.8**	63.4	**67.8**	32.7
Wholly or partly funded schemes	**9,530.6**	8,186.5	**70.6**	62.2
Total scheme defined benefit obligation	**9,598.4**	8,249.9	**138.4**	94.9

29. Pensions (continued)

Reconciliation of defined benefit obligation

	Group 2013 £m	Group 2012 £m	Corporation 2013 £m	Corporation 2012 £m
Actuarial value of defined benefit obligation at start of year	**8,249.9**	7,230.4	**94.9**	78.2
Defined benefit obligation acquired in the year	**4.9**	-	**37.9**	-
Current service cost	**227.9**	187.3	**1.6**	1.3
Interest cost	**390.9**	409.2	**4.3**	4.4
Employee contributions	**42.5**	41.3	**0.5**	0.5
Actuarial loss on liabilities	**975.4**	663.3	**2.3**	11.3
Actual benefit payments	**(294.7)**	(275.5)	**(4.0)**	(3.4)
Past service cost	**1.6**	5.9	**0.9**	2.6
Settlements and curtailments	**-**	(12.0)	**-**	-
Actuarial value of defined benefit obligation at end of year	**9,598.4**	8,249.9	**138.4**	94.9

Reconciliation of fair value of the scheme assets

	Group 2013 £m	Group 2012 £m	Corporation 2013 £m	Corporation 2012 £m
Fair value of assets at start of year	**5,957.2**	5,610.3	**25.5**	23.8
Assets acquired in the year	**5.0**	-	**5.0**	-
Expected return on assets net of expenses	**342.9**	406.5	**1.5**	1.7
Actuarial gain/(loss)	**457.7**	(91.9)	**2.2**	(1.4)
Actual employer contributions	**270.5**	262.7	**2.1**	2.1
Employee contributions	**42.5**	41.3	**0.5**	0.5
Actual benefits paid	**(290.6)**	(271.7)	**(1.8)**	(1.2)
	6,785.2	5,957.2	**35.0**	25.5

The expected return on scheme assets for the year ending 31 March 2013 was determined by considering the expected returns available on the assets underlying the current investment policy. Expected returns on equity investments reflected long term real rates of return experienced in the respective markets. From 1 January 2013 changes to IAS 19 mean that expected return on assets for future years will be set equal to the discount rate.

The actual return on scheme assets in the year was £800.6m (2011/12 £314.6m).

Total contributions of £277.6m are expected to be made to the schemes in the year ending 31 March 2014.

29. Pensions (continued)

History of experience gains and losses

The history of experience adjustments on the plans for the current and previous financial years is as follows:

The Schemes	Group only				
	2013	2012	2011	2010	2009
Difference between the expected and actual return on assets gain/(loss)					
Amount (£m)	**457.7**	(90.5)	106.8	852.3	(1,162.0)
Percentage of scheme assets	**6.7%**	1.5%	1.9%	17.3%	30.9%
Differences between actuarial assumptions about defined benefit obligation and actual experience (loss)/gain					
Amount (£m)	**(205.7)**	42.0	70.0	380.0	(71.7)
Percentage of the present value of the scheme defined benefit obligation	**2.1%**	0.5%	1.0%	5.3%	1.4%
Changes in the demographic and financial assumptions used to estimate defined benefit obligation (loss)/gain					
Amount (£m)	**(769.7)**	(696.5)	457.7	(2,234.2)	703.2
Percentage of the present value of the scheme defined benefit obligation	**8.0%**	8.4%	6.3%	31.4%	14.2%
Deficit at year end					
Fair value of assets at year end	**6,785.2**	5,957.2	5,610.3	4,914.4	3,757.2
Actuarial value of defined benefit obligation at year end	**(9,598.4)**	(8,249.9)	(7,230.4)	(7,108.1)	(4,944.7)
Deficit at year end	**(2,813.2)**	(2,292.7)	(1,620.1)	(2,193.7)	(1,187.5)

29. Pensions (continued)

d) Other pension arrangements

Principal Civil Service Pension Scheme

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. The Group is unable to identify its share of the underlying assets and defined benefit obligation on a consistent and reasonable basis and, as permitted by the multi-employer exemption in IAS 19, the Group treats contributions to the PCSPS as if they were contributions to a defined contribution plan. A full actuarial valuation was carried out at 31 March 2010, and the next valuation is due as at 31 March 2013. Details can be found in the Civil Service Superannuation Resource Accounts (www.civilservice-pensions.gov.uk).

Employers' contributions were payable to the PCSPS at one of four rates in the range 17.1 per cent to 25.5 per cent of pensionable pay, based on salary bands. Employer contributions are reviewed every three years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Railways Pension Scheme

Crossrail Limited (CRL) contributes to the Omnibus Section of the Railways Pension Scheme (RPS). The RPS is a defined benefit arrangement for rail industry employees. The Omnibus Section is made up of 52 participating employers, each (apart from CRL) having fewer than 51 active members in the scheme.

The Omnibus Section of the RPS is a multi-employer scheme and is valued as a whole. As a result of this, CRL is unable to identify its share of the underlying assets and defined benefit obligation. It is therefore accounted for as a defined contribution scheme under IAS 19.

The last actuarial valuation of the Omnibus Section of the scheme was carried out at 31 December 2010. The actuarial report showed that there was a deficit of £3.9m for the total Omnibus Section.

The findings of the 2010 valuation report were translated into the current contribution level of 30%, effective from 1 July 2012. The pension charge for the year was £4.5 million (2011/12 £3.2 million).

Defined contribution schemes

The Group contributes to a number of defined contribution schemes, with contributions amounting to £10.6m (2011/12 £15.8m). The Tube Lines defined contribution scheme is one such scheme with contributions amounting to £4.3m (2011/12 £3.4m).

30. Cash flow notes

a. Adjustments to net surplus for non-cash movements

	Group 2013 £m	Group 2012 £m	Corporation 2013 £m	Corporation 2012 £m
Depreciation of property, plant and equipment and amortisation of intangibles	**1,002.1**	948.0	**192.0**	197.5
Impairment of goodwill and intangibles	**-**	106.3	**-**	-
(Gain)/loss on sale of property, plant and equipment	**121.8**	(2.5)	**0.2**	2.4
(Gain)/loss on sale of investment property	**(35.9)**	(0.3)	**(2.8)**	(0.3)
Movements in the value of investment properties	**(131.5)**	(21.4)	**(3.5)**	(9.4)
Financing income	**(361.5)**	(420.0)	**(224.0)**	(250.4)
Financing expense	**780.5**	943.3	**293.0**	493.0
Capital grants receivable	**(3,253.6)**	(3,115.3)	**(3,241.6)**	(3,019.7)
Capital grants paid to subsidiaries	**-**	-	**1,110.7**	1,445.0
Reversal of defined benefit pension service costs	**229.5**	181.2	**2.5**	3.9
Reversal of taxation credit	**(0.2)**	(1.5)	**-**	-
Cash flow from operating activities before movements in working capital	**(1,648.8)**	(1,382.2)	**(1,873.5)**	(1,138.0)
Increase/(decrease) in creditors	**25.8**	(2.9)	**17.5**	(10.8)
Decrease/(increase) in debtors	**1.0**	(138.8)	**(269.6)**	(48.7)
(Increase)/decrease in inventories	**(4.4)**	(2.0)	**(0.9)**	0.3
Decrease in provisions	**(11.7)**	(71.5)	**(2.1)**	(7.3)
Cash flow utilised by operations	**(1,638.1)**	(1,597.4)	**(2,128.6)**	(1,204.5)
Cash payments for employers' contributions to defined benefit pension funds and direct payments to pensioners	**(274.6)**	(266.5)	**28.5**	(4.3)
Taxation refund received	**0.2**	16.0	**-**	-
Net cash utilised by operating activities	**(1,912.5)**	(1,847.9)	**(2,100.1)**	(1,208.8)

30. Cash flow notes (continued)

b. Investing activities

	Group 2013 £m	Group 2012 £m	Corporation 2013 £m	Corporation 2012 £m
Interest received	**17.9**	13.8	**221.7**	249.0
Capital grants received	**3,289.0**	3,328.4	**3,266.7**	3,239.4
Capital grants paid to subsidiaries	**-**	-	**(1,110.7)**	(1,445.0)
Purchase of property, plant and equipment and investment property	**(2,996.8)**	(2,690.8)	**(170.2)**	(292.8)
Purchase of intangible assets	**(39.7)**	(33.8)	**(9.7)**	(1.8)
Proceeds from the sale of property, plant and equipment and intangible assets	**2.8**	34.6	**0.6**	-
Net purchases of other investments	**(1,209.8)**	(570.1)	**(1,218.4)**	(595.3)
Interim financing advanced to third parties for the Crossrail project	**(89.8)**	(160.0)	**-**	-
Issue of loans to subsidiaries (net of repayments)	**-**	-	**(643.1)**	(1,214.1)
Proceeds from sale of investment property	**19.4**	48.6	**1.7**	40.2
Payments to acquire subsidiaries/ investments in subsidiaries	**(1.5)**	(184.3)	**(1,210.0)**	(650.0)
Cash acquired with subsidiaries	**-**	32.6	**-**	-
Net cash flows from investing activities	**(1,008.5)**	(181.0)	**(871.4)**	(670.4)

c. Financing activities

	Group 2013 £m	Group 2012 £m	Corporation 2013 £m	Corporation 2012 £m
(Repayments)/drawdowns of loans from subsidiaries	**-**	-	**-**	(1,527.3)
Cash payments for reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI arrangements	**(136.8)**	(158.1)	**(3.0)**	(16.2)
Proceeds from new borrowing	**428.5**	1,921.8	**438.9**	2,315.4
Repayments of borrowings	**(21.3)**	(1,483.1)	**(21.3)**	-
Premiums paid on early repayment of borrowings and finance lease liabilities	**(23.0)**	(216.5)	**-**	(216.5)
Cash paid on settlement of derivatives	**(81.9)**	(96.3)	**-**	-
Interest paid	**(328.3)**	(190.2)	**(258.1)**	(177.0)
Net cash flows from financing activities	**(162.8)**	(222.4)	**156.5**	378.4

31. Unusable reserves

	2013 £m	2012 £m
Group		
Capital adjustment account	**16,198.9**	14,638.0
Pension reserve	**(2,733.0)**	(2,203.7)
Accumulated absences reserve	**(5.8)**	(5.0)
Retained earnings reserve in subsidiaries	**1,156.5**	1,087.3
Revaluation reserve	**70.7**	51.1
Hedging reserve	**(229.3)**	(117.1)
Available for sale reserve	**0.3**	-
Financial instruments adjustment account	**(205.7)**	(216.5)
Merger reserve	**466.1**	466.1
At 31 March	**14,718.7**	13,700.2

	2013 £m	2012 £m
Corporation		
Capital adjustment account	**4,814.7**	3,455.5
Pension reserve	**(103.4)**	(69.4)
Accumulated absences reserve	**(5.8)**	(5.0)
Available for sale reserve	**0.3**	-
Financial instruments adjustment account	**(205.7)**	(216.5)
At 31 March	**4,500.1**	3,164.6

31. Unusable reserves (continued)

Capital adjustment account

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by TfL as finance for the costs of acquisition, construction and enhancement. The account also contains accumulated gains and losses on investment properties.

	Note	**Group 2013 £m**	Group 2012 £m	**Corporation 2013 £m**	Corporation 2012 £m
Balance at 1 April		**14,638.0**	12,435.4	**3,455.5**	2,269.7
Charges for depreciation and impairment of non current assets	11, 12	**(192.0)**	(197.5)	**(192.0)**	(197.5)
Gain/(loss) on sale of investment property	7	**2.8**	0.3	**2.8**	0.3
Movements in the market value of investment properties	7	**3.5**	9.4	**3.5**	9.4
Capital grants and contributions	9	**2,667.8**	2,916.6	**1,545.1**	1,376.0
Profit or loss on disposal of non current assets	6	**(0.2)**	(2.4)	**(0.2)**	(2.4)
Adjustments between Group and Corporation financial statements	*	**(921.0)**	(523.8)	**-**	-
Balance at 31 March		**16,198.9**	14,638.0	**4,814.7**	3,455.5

The adjustment between Group financial statements and 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 Income and Expenditure statement. TfL's subsidiary companies account under full EU-adopted IFRS (rather than the Code) and are required to recognise deferred capital grants on the balance sheet and recognise grant amortisation in arriving at their retained earnings. An accounting policy alignment is performed on consolidation to recognise the grant receipts in the Comprehensive Income and Expenditure statement (from where they are then transferred to the CAA). Equally, the amortisation and grant disposals are removed from the Comprehensive Income and Expenditure statement and are shown in the CAA so that the total CAA adjustment is equal to the deferred capital grant carried in the subsidiaries' books.

31. Unusable reserves (continued)

Pension reserve

The pension reserve represents pension and other post-retirement defined benefit obligations shown on the balance sheet, excluding those reflected on the balance sheets of the subsidiary companies. The pension reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Group and Corporation account for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the defined benefit obligations recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Group and Corporation make employer's contributions to pension funds or eventually pay any pensions for which they are directly responsible. The debit balance on the pension reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources that have been set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	Group 2013 £m	Group 2012 £m	**Corporation 2013 £m**	Corporation 2012 £m
Balance at 1 April	**(2,203.7)**	(1,547.0)	**(69.4)**	(54.4)
Actuarial gains and losses on pension assets and defined benefit obligations	**(482.8)**	(731.1)	**-**	(12.7)
Reversal of charges relating to retirement benefits	**(298.0)**	(262.8)	**(38.5)**	(6.6)
Employer's pension contributions and direct payments to pensioners payable in the year	**251.5**	337.2	**4.5**	4.3
Balance at 31 March	**(2,733.0)**	(2,203.7)	**(103.4)**	(69.4)

31. 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 2013 £m	Group 2012 £m	**Corporation 2013 £m**	Corporation 2012 £m
Balance at 1 April	**(5.0)**	(4.5)	**(5.0)**	(4.5)
Settlement or cancellation of accrual made at the end of the preceding year	**5.0**	4.5	**5.0**	4.5
Amounts accrued at the end of the current year	**(5.8)**	(5.0)	**(5.8)**	(5.0)
Balance at 31 March	**(5.8)**	(5.0)	**(5.8)**	(5.0)

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 2013 £m	Group 2012 £m
Balance at 1 April	**1,087.3**	1,437.1
Profit/(loss) for the year	**102.2**	(327.2)
Actuarial (loss)/gain	**(34.8)**	(24.1)
Release of revaluation reserve relating to the difference between historic cost of disposal and fair value cost of disposal	**1.8**	1.5
Balance at 31 March	**1,156.5**	1,087.3

31. Unusable reserves (continued)

Revaluation reserve

The revaluation reserve contains the 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, or
- Disposed of and the gains are transferred to retained earnings.

	Note	**Group 2013 £m**	Group 2012 £m
Balance at 1 April		**51.1**	47.7
Revaluation of assets	12	**21.4**	4.9
Release of revaluation reserve relating to the difference between fair value depreciation and historic cost depreciation		**(1.8)**	(1.5)
Balance at 31 March		**70.7**	51.1

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 2013 £m	Group 2012 £m
Balance at 1 April	**(117.1)**	4.4
Net change in fair value of cash flow interest rate hedges	**(117.5)**	(121.0)
Net change in fair value of cash flow foreign exchange hedges	**0.5**	(0.5)
Recycling of interest rate fair value losses to profit and loss	**4.8**	-
Balance at 31 March	**(229.3)**	(117.1)

The Corporation does not have a hedging reserve as it has not entered into any derivative transactions, nor does it have legal powers so to do.

31. Unusable reserves (continued)

Available for sale reserve

The available-for-sale reserve holds the unrealised gain or loss arising from a change in the fair value of available for sale long term investments. When an available for sale financial asset is derecognised, the cumulative gain or loss previously recognised in Other Comprehensive Income and Expenditure is transferred from the available for sale reserve and recognised in the Surplus or Deficit on the Provision of Services.

	Group 2013 £m	Group 2012 £m	**Corporation 2013 £m**	Corporation 2012 £m
Balance at 1 April	**-**	-	**-**	-
Movement in the fair value of available for sale financial investments	**0.3**	-	**0.3**	-
Balance at 31 March	**0.3**	-	**0.3**	-

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 2013 £m	Group 2012 £m	**Corporation 2013 £m**	Corporation 2012 £m
Balance at 1 April	**(216.5)**	-	**(216.5)**	-
Transfers arising from debt restructuring during the year	**-**	(216.5)	**-**	(216.5)
Release of premium	**10.8**	-	**10.8**	-
Balance at 31 March	**(205.7)**	(216.5)	**(205.7)**	(216.5)

31. 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 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 2013 £m	Group 2012 £m	**Corporation 2013 £m**	Corporation 2012 £m
Balance at 1 April and 31 March	**466.1**	466.1	**-**	-

32. Business rate supplement

Business Rate Supplements (BRS) were introduced by the Business Rate Supplements Act 2009 and related regulations and statutory guidance. The Act confers powers on relevant local authorities “to impose a levy on non-domestic ratepayers to raise money for expenditure on projects expected to promote economic development”. In London, the only local authority empowered to levy a BRS is the Greater London Authority (GLA).

On 1 April 2010, the GLA introduced a BRS to finance £4.1 billion of its contribution towards the costs of the Crossrail Project. The BRS is applied on non-domestic rating assessments in London and is collected on behalf of the GLA by the 33 London billing authorities (the London boroughs and the Common Council of the City of London). This funding is then passed to TfL as the functional body with responsibility for delivering the Crossrail Project.

In the year to 31 March 2013, TfL recognised £120.0m (2012 £168.0m) of BRS income in its Income and Expenditure Statement (see note 9). Receipts in the year totalled £121.6m (2012 £166.4m), and £nil (2012 £1.6m) was held as a debtor on the Corporation and Group's balance sheets.

	Corporation 2013 £m	Corporation 2012 £m
Opening Balance on BRS Account	**-**	-
Transfer to Capital Adjustment Account in respect of BRS capital expenditure	**(120.0)**	(168.0)
Transfer from General Fund to clear BRS account deficit	**120.0**	168.0
Closing Balance on BRS Account	**-**	-

33. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Corporation in the year in accordance with proper accounting practice in order to determine the resources that are specified by statutory provisions as being available to the Corporation to meet future capital and revenue expenditure. The General Fund reserve represents monies available to finance the day to day activities of TfL.

Corporation 2013

	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	**192.0**	**(192.0)**	**-**	**-**	**-**	**-**
Movements in the market value of investment properties	7	**(3.5)**	**3.5**	**-**	**-**	**-**	**-**
Gain on sale of investment property	7	**(2.8)**	**2.8**	**-**	**-**		
Capital grants and contributions	9	**(1,545.1)**	**1,545.1**	**-**	**-**	**-**	**-**
Unapplied capital grants	9	**(585.8)**	**-**	**-**	**-**	**-**	**-**
Loss on disposal of non current assets	6	**0.2**	**(0.2)**	**-**	**-**	**-**	**-**
Reversal of items relating to retirement benefits		**38.4**	**-**	**(38.4)**	**-**	**-**	**-**
Transfers to/from street works reserve		**(0.3)**	**-**	**-**	**0.3**	**-**	**-**
Amortisation of premium on refinancing		**(10.8)**	**-**	**-**	**-**	**10.8**	**-**
Difference between the remuneration charged on an accruals basis and the remuneration chargeable in accordance with statutory requirements		**0.8**	**-**	**-**	**-**	**-**	**(0.8)**
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							
Employers pension contributions and direct payments to pensioners payable in the year		**(4.5)**	**-**	**4.5**	**-**	**-**	**-**
		(1,921.4)	**1,359.2**	**(33.9)**	**0.3**	**10.8**	**(0.8)**

33. Adjustments between accounting basis and funding basis under regulations (continued)

Corporation 2012

	Note	General fund £m	Capital adjustment account £m	Pension reserve £m	Financial instruments adjustment account £m	Accumulated absences reserve £m
Reversal of items debited or credited to the Comprehensive income and Expenditure account						
Charges for depreciation and impairment of non current assets		197.5	(197.5)	-	-	-
Gain on sale of investment property	8	(0.3)	0.3	-	-	-
Movements in the market value of investment properties	7	(9.4)	9.4	-	-	-
Capital grants and contributions	9	(1,376.0)	1,376.0	-	-	-
Unapplied capital grants		(198.7)	-	-	-	-
Loss on disposal of non current assets	6	2.4	(2.4)	-	-	-
Reversal of items relating to retirement benefits		6.6	-	(6.6)	-	-
Premium on financing	8	216.5	-	-	(216.5)	-
Difference between the remuneration charged on an accruals basis and the remuneration chargeable in accordance with statutory requirements		0.5	-	-	-	(0.5)
Inclusion of items not debited or credited to the Comprehensive income and expenditure statement which are required to be charged in accordance with statutory requirements						
Employers pension contributions and direct payments to pensioners payable in the year		(4.3)	-	4.3	-	-
		(1,165.2)	1,185.8	(2.3)	(216.5)	(0.5)

34. Sources of finance

Capital expenditure analysed by source of finance:

	Note	**Corporation 2013 £m**	Corporation 2012 £m
Capital expenditure			
Intangible asset additions	11	**9.8**	1.8
Property, plant and equipment additions	12	**137.1**	223.5
Investment property	13	**-**	0.8
Investments in year	14	**1,210.0**	650.0
Loans made to subsidiaries in year for capital purposes		**643.1**	1,208.1
Capital grants allocated to subsidiaries in year	9	**1,110.7**	1,445.0
Total capital expenditure		**3,110.7**	3,529.2
Sources of finance			
Transport grants used to fund capital	9	**1,179.6**	1,620.0
Business rates supplement	9	**120.0**	168.0
Crossrail specific grant	9	**1,904.0**	1,217.0
Less amounts transferred to Capital Grants Unapplied Account	9	**(585.8)**	(198.7)
Prudential borrowing		**421.0**	794.3
Third party contributions	9	**38.0**	14.7
Capital receipts		**14.7**	-
Net repayment of finance leases		**(3.0)**	(7.4)
Working capital		**22.2**	(78.7)
Total sources of finance		**3,110.7**	3,529.2

35. Minimum revenue provision

The Local Government and Housing Act 1989 requires a Minimum Revenue Provision (MRP) to be set aside for the redemption of external debt. As a statutory corporation regulated as if it were a local authority, TfL is required to comply with the Local Authorities Capital Finance Regulations. New MRP regulations were approved by the Secretary of State in February 2008. TfL is required to approve an Annual MRP Statement determining the amount of MRP which it considers to be prudent.

The Department for Communities and Local Government issued guidance setting out four possible methods which are deemed automatically prudent, but also states that "approaches differing from those exemplified should not be ruled out… the broad aim of prudent provision is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits."

While the statutory guidance provides four suggested options for the calculation of MRP, TfL does not consider that any of these are appropriate to TfL's circumstances. TfL's policy on MRP is to treat debt service (interest and principal) in its business plan as an in-year operating cost. As TfL has a legal requirement to produce a balanced budget (and this approach had been extended to the full business plan), the cost of debt service is taken account of in determining whether annual budget and business plans are in balance.

TfL has therefore adopted the following policy:

No provision is made for debt repayment in advance of years where any such repayment is due;

Debt service, including principal repayment, is treated as an in-year operating cost and is funded from income in the year the debt service is required;

36. Financial assistance

TfL may give financial assistance to any body or person in respect of expenditure incurred or to be incurred by that body or person in doing anything which, in the opinion of TfL, is conducive to the provision of safe, integrated, efficient and economic transport facilities or services to, from or within Greater London, and also to the London Transport Museum Limited.

Financial assistance given under section 159 of the Greater London Authority Act 1999 is outlined below:

	Corporation 2013 £m	Corporation 2012 £m
Financial assistance to subsidiaries		
Transport Trading Limited	**68.6**	319.7
London Underground Limited	**979.5**	1,059.6
London Bus Services Limited	**513.5**	568.0
Docklands Light Railway Limited	**94.0**	480.0
Rail for London Limited	**107.8**	169.1
London River Services Limited	**1.1**	4.5
Tramtrack Croydon Limited	**16.7**	12.5
London Transport Museum Limited	**6.0**	5.8
Crossrail Limited	**265.7**	448.7
Transport for London Finance Limited	**1,172.8**	325.0
City Airport Rail Enterprises Limited	**-**	26.5
Woolwich Arsenal Rail Enterprises Limited	**-**	49.5
Tube Lines (Finance) plc	**4.3**	-
	3,230.0	3,468.9

	Note	Corporation 2013 £m	Corporation 2012 £m
Financial assistance to London Boroughs and other third parties			
Local Implementation Plan		**125.9**	139.5
Taxicard		**9.6**	10.8
Safety schemes		**3.4**	4.0
Cycle network		**4.6**	6.8
Other		**3.7**	4.6
	3	**147.2**	165.7

37. Related parties

Transport for London is required by the Code and IAS 24 Related party transactions ("IAS 24") to disclose material transactions with related parties. Related parties are entities or individuals who have the potential to control, indirectly control or significantly influence TfL or to be controlled, indirectly controlled or significantly influenced by TfL.

TfL is a statutory corporation established by section 154 of the Greater London Authority Act 1999 (GLA Act 1999). It is a functional body of the Greater London Authority and is controlled by the Mayor of London. TfL is classified as a government entity in accordance with IAS 24, as it is controlled by the GLA, through the Mayor. The GLA and its other functional bodies are considered to be related parties of TfL and its subsidiaries, as they are all under the control of the Mayor. Other related parties include TfL's Board Members, Chief Officers, Commissioner, the Mayor of London and the TfL Pension Fund. In addition, central government has the potential to influence TfL by providing the statutory framework within which TfL operates and through the provision of funding in the form of grants.

Disclosure of related party transactions allows readers to assess the extent to which the Corporation might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with it.

GLA and functional bodies

Details of the funding granted to TfL by the GLA from the Business Rates Supplement levied by the GLA are included in note 32. In addition, the GLA made grants to TfL in respect of the Crossrail project amounting to £699m. This amount is included in note 9 as part of "Ring-fenced grant to fund capital expenditure relating to Crossrail". The Council Tax precept paid to TfL by the GLA is also shown in note 9.

During 2012/13 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 2013 £m
Greater London Authority (GLA)	3.3	1.3	1.2
London Fire and Emergency Planning Authority (LFEPA)	0.2	-	0.1

37. Related parties (continued)

Board Members and Officers
Board Members, Chief Officers, the Commissioner and the Mayor of London are required to complete a declaration regarding any related party transactions. During the year, none of the Corporation Board, key management personnel or parties related to them have undertaken any material transactions with the Corporation or its subsidiaries (2011/12 none).

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 29.

Central Government
Transport Grant is paid by the Department for Transport to the Greater London Authority, which in turn pays the grant to the Corporation. Details of Transport Grant are disclosed in the Corporation and Group Comprehensive Income and Expenditure Statements and Cash Flow Statements.

The Department for Transport sets the level of Transport Grant through the spending review process. The last such spending review was SR 2010, and the settlement covered grant funding and permitted levels of borrowing for the period up to 31 March 2015.

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 36.

TfL receives income from the London Boroughs for the provision of free travel for the elderly, disabled, and students. This income is set out in note 1.

TfL has borrowings outstanding from the Public Works Loan Board ("PWLB"), and pays interest to PWLB in respect of those borrowings.

TfL makes payments to the British Transport Police for the provision of policing services on the Underground and Overground railways.

TfL makes payments to the Metropolitan Police Service for policing services provided by the Safer Transport Command.

TfL has received funding from the Olympic Delivery Authority in respect of transport projects to support the 2012 Games.

Transactions between the Corporation and it subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

38. Trust Funds

The Corporation acts as the sole trustee for the TfL Healthcare Trust, a trust established in 2012 for the sole 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 2013				
TfL Healthcare Trust	**3.7**	**(3.2)**	**0.5**	**-**
At 31 March 2012				
TfL Healthcare Trust	-	-	-	-

39. Events after the balance sheet date

There have been no events occurring after the reporting date that would have a material impact on these financial statements.

Annual governance statement

Scope of responsibility
Transport for London (TfL) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. TfL also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, TfL is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Under section 127 of the Greater London Authority Act 1999, an individual must be given personal responsibility by appointment of TfL to 'make arrangements for the proper administration of financial affairs'. This role is performed by TfL's Chief Finance Officer (CFO). TfL's financial management arrangements conform with the governance requirements of the Chartered Institute of Public Finance and Accountancy Statement on the Role of the Chief Financial Officer in Local Government (2010), except that the CFO is not a member of the leadership team. However, the CFO is appointed and can be removed by the Board. The CFO reviews in advance all papers relating to financial management for the Chief Officers, Committees or Board, attends all Board meetings and has unrestricted access to the Commissioner. The CFO reports to the Managing Director (MD) Finance, and plays an active part in TfL strategic decision making. His responsibilities are also discharged through:

- Involvement in all key decisions with a significant financial implication

- Involvement with Business Management Review meetings; and

- Management responsibilities for the production of the Business Plan and statutory accounts

During 2012/13 a new CFO was appointed with the above responsibilitites.

TfL has approved and adopted a Code of Governance, which is consistent with the principles of the CIPFA/Society of Local Authority Chief Executives Framework Delivering Good Governance in Local Government.

A copy of the TfL Code of Governance is available online at tfl.gov.uk or can be obtained from the Secretariat, Windsor House, 42-50 Victoria Street, London, SW1H 0TL. This statement explains how TfL has complied with the Code and also meets the requirements of the Accounts and Audit (England) Regulations 2011 in relation to the publication of a statement on internal control.

The purpose of the governance framework
The governance framework comprises the systems, processes, culture and values by which TfL is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables TfL to monitor the achievement of its strategic objectives and the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk and provide reasonable, although not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of TfL's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at TfL since the year ended 31 March 2001. It remains in place at the date of approval of the 2012/13 Statement of Accounts.

The governance framework
The Mayor, who serves as its Chair, appoints the TfL Board members. The Board determines and agrees TfL's strategic direction and oversees the performance of the executive team.

The Board has three committees:

- Finance and Policy

- Audit and Assurance; and

- Remuneration

There are four panels, made up of Board members, which provide strategic advice to the Board on the development and execution of policy:

- Rail and Underground

- Surface Transport

- Projects and Planning; and

- Safety and Sustainability

The Audit and Assurance Committee has been delegated the responsibility for overseeing corporate governance in TfL. It has received reports on the implementation of the Code of Governance ('the Code'), the Annual Governance Statement contained in these accounts and the results of the compliance review. It receives regular reports from the General Counsel and the Director of Internal Audit and is responsible for the annual assurance process.

The Commissioner of TfL, advised by his Chief Officers, is responsible and accountable for the delivery of the day-to-day operations of TfL. The General Counsel has the overall responsibility for the operation of the Code and for ensuring that it is integral to the routine functioning of TfL. In addition, the Director of Internal Audit annually comments on the adequacy and effectiveness of the Code and the extent of TfL's compliance with it.

TfL is working to ensure that good governance is fully incorporated into the culture of the organisation and is applied consistently and transparently.

TfL identifies and communicates its vision of its purpose and intended outcomes for citizens and service users by:

- The Mayor developing and publishing a Transport Strategy reflecting national and local priorities

- The Budget and Business Plan reflecting the Transport Strategy and allocating resources accordingly

- Reviewing on a regular basis the implications of the Transport Strategy for its governance arrangements

- Ensuring that those making decisions are provided with information that is fit for purpose – relevant, timely and gives clear explanations of technical issues and their implications; and

- Conducting its business on an open basis, subject only to the requirements of appropriate levels of individual and commercial confidentiality and security

TfL measures the quality of services for users, ensures they are delivered in accordance with TfL's objectives and ensures that they represent the best use of resources by:

- Having in place sound systems for providing management information for performance measurement purposes;

- Ensuring performance information is collected at appropriate intervals across all activities

- Having comprehensive and understandable performance plans in place

- Monitoring and reporting performance against agreed targets

- Maximising its resources and allocating them according to priorities

- Having in place effective arrangements to identify and deal with failure in service delivery; and

- Developing and maintaining an effective scrutiny function for its Investment Programme that encourages constructive challenge and enhances TfL's performance overall

TfL defines and documents the roles and responsibilities of the Board, Committees, Panels and staff with clear delegation arrangements and protocols by:

- Having a documented scheme of delegation that reserves appropriate responsibilities to the Board and provides staff with the authority to conduct routine business; and

- Having the roles and responsibilities of Board members and senior staff clearly documented

TfL has developed and communicates the requirements of the Code of Conduct, defining the standards of behaviour for Board members and staff by:

- Ensuring it is an organisation that has a climate of openness, support and respect

- Ensuring that standards of conduct and personal behaviour expected of Board members and staff, between Board members and staff and between TfL, its partners and the community are defined and communicated through codes of conduct and protocols

- Putting in place arrangements to ensure that Board members and staff of TfL are not influenced by prejudice, bias or conflicts of interest

- Ensuring that an effective process, which includes an effective Remuneration Committee, is in place to set the terms and conditions for remuneration of the Commissioner and Chief Officers

- Developing and maintaining shared values including leadership values for both the organisation and staff reflecting public expectations and communicating these to Board members, staff, the community and partners

- Putting in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice

- Setting targets for performance in the delivery of services to ensure equality for all; and

- Using its shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within TfL

TfL reviews and updates Standing Orders, standing financial instructions, its scheme of delegation and supporting procedures that clearly define how decisions are taken and the processes and controls required to manage risks by:

- Having a clear hierarchy of governance documentation whose components are regularly reviewed

- Maintaining robust systems for identifying and evaluating all significant risks

- Maintaining an effective risk management system; and

- Ensuring that risk management is embedded into its culture, with Board members and staff at all levels recognising that risk management is part of their jobs

TfL ensures that the core functions of the Audit and Assurance Committee are delivered by:

- Having an effective, independent Audit and Assurance Committee

- Having the Audit and Assurance Committee develop and maintain an effective standard of conduct overview

- Having an internal audit department that complies with relevant professional standards and is regularly evaluated by external auditors

- Having an Integrated Assurance Plan that is driven by an annual evidenced assessment of the key business risks facing TfL; and

- Substantially completing the Integrated Assurance Plan. Divergence from the plan is due to changes in business requirements

TfL ensures compliance with relevant laws, internal policies and procedures, and that expenditure is lawful by:

- Ensuring that all activities are legally correct, fully documented, appropriately authorised and carried on in a planned manner

- Making a senior member of staff responsible for ensuring that appropriate advice is given in all financial matters, for keeping proper financial records and accounts and for maintaining an effective system of internal financial control

- Maintaining proper records to ensure that the annual accounts show a true and fair view and that expenditure has been properly authorised and allocated in an appropriate manner

- Ensuring that a senior member of staff is responsible for all activities being legally correct, fully documented and appropriately authorised

- Developing and maintaining open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based

- Putting in place arrangements to safeguard against conflicts of interest

- Ensuring that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately

- Actively recognising the limits of lawful activity placed on it but also striving to utilise its powers to the full benefit of the public; and

- Observing all legal requirements placed upon it and integrating the key principles of good public law – rationality, legality and natural justice – into its procedures and decision-making processes

TfL has made arrangements for whistle-blowing and for receiving and investigating complaints from the public by:

- Ensuring that effective, transparent and accessible arrangements are in place for making, receiving and dealing with complaints; and

- Ensuring that arrangements are in place for whistle-blowing to which staff and all those contracting with TfL have access including external independent reporting lines

TfL identifies the development needs of Board members and staff in relation to their strategic roles, supported by appropriate training by:

- Ensuring that its Board members and staff are provided with the necessary training to perform their roles

- Ensuring that its staff are competent to perform their roles

- Ensuring that the Chief Finance Officer has the skills, resources and support necessary to perform effectively in his role and that this role is properly understood throughout TfL

- Assessing the skills required by Board members and staff and committing to develop those skills to enable roles to be carried out effectively

- Commissioning regular external reviews of Board effectiveness; and

- Developing skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed

TfL establishes clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation by:

- Having in place proper arrangements designed to encourage individuals and groups from all sections of the community to engage with, contribute to, and participate in the work of TfL

- Making clear to staff and the public what it is accountable for and to whom

- Publishing, publicising and making generally available an annual report as soon as practicable after the end of the financial year

- The annual report presenting an objective and understandable account of its activities and achievements and its financial position and performance

- Cooperating with appropriate organisations to ensure there is independent scrutiny of its financial and operational reporting processes; and

- Having a clear policy on the types of issues it will consult on or engage with the public and service users about, including a feedback mechanism for those consultees to demonstrate what has changed as a result

TfL incorporates good governance arrangements in respect of partnerships and other group working by:

- Fostering effective delivery relationships and partnerships with other public sector agencies, the private and voluntary sectors
- Establishing appropriate arrangements to engage with all sections of the public effectively; and
- Establishing appropriate arrangements to engage with interest groups such as financial institutions, businesses and voluntary groups to ensure they are able to interact with TfL on matters of mutual interest

Review of effectiveness

TfL has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior staff within TfL who have responsibility for the development and maintenance of the governance environment, the Director of Internal Audit's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

TfL's General Counsel has the responsibility for overseeing the implementation and monitoring the operation of the Code and reporting annually to the Audit and Assurance Committee on compliance with the Code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.

In addition, the Director of Internal Audit annually comments on the adequacy and effectiveness of the Code and the extent of TfL's compliance with it.

TfL's Audit and Assurance Committee has considered the review of the effectiveness of the governance framework and a plan to ensure continuous improvement is in place.

This year's review included:

(a) A review of Standing Orders and a revised Committee and Panel structure to comply with the Localism Act

(b) A review of internal systems to enable TfL to meet the requirements of the Data Transparency Code; and

(c) An external review of Internal Audit effectiveness

Significant governance issues

Balancing the need to manage within the Government funding settlement and deliver the Mayor's priorities remains the most significant issue facing TfL and one that will continue to present a challenge to its management. Streamlined governance arrangements have been implemented and senior staff oversight will be maintained to ensure appropriate and timely responses to such issues that arise.

During the year 2012/13 TfL has implemented the recommendations of the external review of Board effectiveness, introduced new Standing Orders and implemented a revised Committee and Panel structure to comply with the Localism Act.

TfL has commenced publication of Gifts and Hospitality received by Chief Officers on a quarterly basis and made full publication of Games related hospitality for all staff it has also commenced publication of complaints data on a quarterly basis. Also the strategic risk register has been updated.

Issues to be addressed in the coming year include the re-letting of the contract for TfL's external reporting line service, the introduction of TfL Pathway, an integrated project management methodology, the integration of strategic risk into the existing assurance process and the annual benchmarking of TfL's governance regime with the UK Corporate Governance Code.

TfL proposes to continue to improve and develop governance arrangements over the coming year.

The coming year will see the ongoing implementation of the recommendations of the Board effectiveness review, the continuation of the development of a TfL wide management system and the creation of a single TfL intranet.

It is confident that the current governance processes and planned developments will enable it to meet the challenges identified.

Signed:

Chair of TfL Board

Signed:

Commissioner

Chief Officers

Sir Peter Hendy CBE
Commissioner

Mike Brown MVO
Managing Director London Underground and London Rail

Leon Daniels
Managing Director Surface Transport

Vernon Everitt
Managing Director Customer Experience Marketing and Communications

Steve Allen
Managing Director Finance

Howard Carter
General Counsel

Michèle Dix
Managing Director Planning

Members of TfL


Boris Johnson
Chairman


Isabel Dedring
Deputy Chair


Peter Anderson


Sir John Armitt CBE
joined 10/09/12


Claudia Arney
stood down 17/06/12


Sir Brendan Barber
joined 02/01/13


Richard Barnes
joined 10/09/12


Charles Belcher


Roger Burnley
joined 10/09/12


Brian Cooke
joined 02/01/13


Christopher Garnett OBE
stood down 31/12/12


Baroness
Grey-Thompson DBE


Sir Mike Hodgkinson
stood down 17/06/12


Judith Hunt
stood down 17/06/12


Angela Knight CBE
joined 02/01/13


Michael Liebreich
joined 10/09/12


Eva Lindholm


Daniel Moylan


Steven Norris
stood down 17/06/12

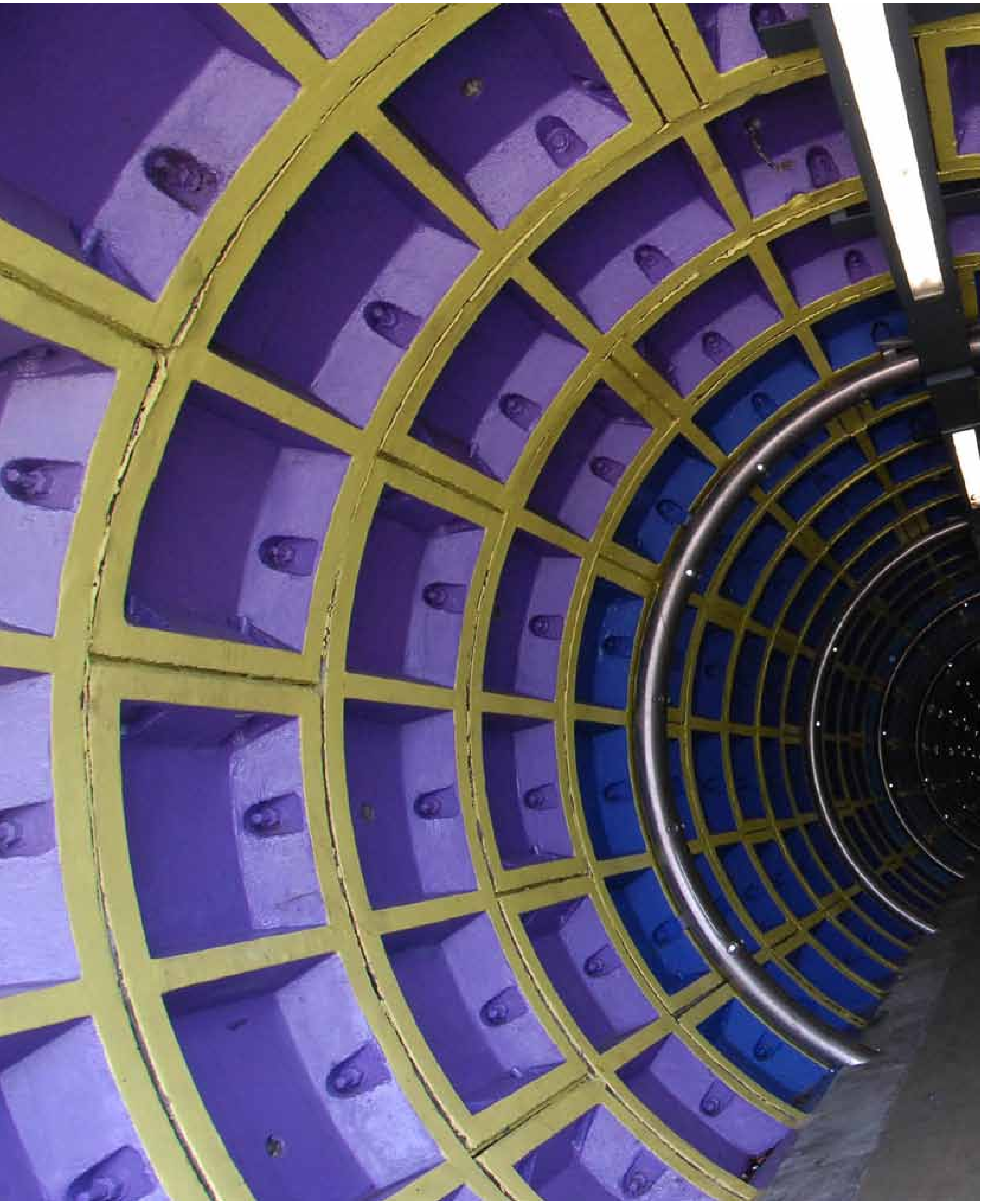

Bob Oddy


Patrick O'Keeffe
stood down 31/12/12


Tony West
stood down 17/06/12


Keith Williams


Steve Wright MBE



Directors of Crossrail Ltd


Terry Morgan CBE
Chairman


David Allen


Ian Brown CBE


Michael Cassidy CBE


Sir Joe Dwyer
until 30/04/12


Phil Gaffney


Terry Hill CBE


Sir Mike Hodgkinson
until 17/06/12


Robert Jennings CBE


Andy Mitchell


Heather Rabbatts CBE


Andrew Wolstenholme OBE

Membership of TfL panels and committees

(as at 31 March 2013)

Members of TfL

Boris Johnson – Chairman
Isabel Dedring – Deputy Chair
Peter Anderson
Sir John Armitt CBE
Sir Brendan Barber
Richard Barnes
Charles Belcher
Roger Burnley
Brian Cooke
Baroness Grey-Thompson DBE
Angela Knight CBE
Michael Liebreich
Eva Lindholm
Daniel Moylan
Bob Oddy
Keith Williams
Steve Wright MBE

Committees of TfL

Audit Committee

Keith Williams – Chair
Steve Wright MBE – Vice Chair
Richard Barnes
Charles Belcher
Brian Cooke
Baroness Grey-Thompson DBE

Finance and Policy Committee

Peter Anderson – Chair
Daniel Moylan – Vice Chair
Isabel Dedring
Angela Knight CBE
Michael Liebreich
Eva Lindholm

Remuneration Committee

Baroness Grey-Thompson DBE – Chair
Daniel Moylan – Vice Chair
Sir John Armitt CBE
Boris Johnson

Panels

Projects and Planning Panel

Isabel Dedring – Chair
Daniel Moylan – Vice Chair
Sir John Armitt CBE
Roger Burnley
Baroness Grey-Thompson DBE
Angela Knight CBE

Rail and Underground Panel

Sir John Armitt CBE – Chair
Steve Wright MBE – Vice Chair
Peter Anderson
Sir Brendan Barber
Richard Barnes
Charles Belcher
Brian Cooke
Isabel Dedring
Daniel Moylan

Safety and Sustainability Panel

Charles Belcher – Chair
Michael Liebreich – Vice Chair
Sir Brendan Barber
Richard Barnes
Baroness Grey-Thompson DBE
Bob Oddy

Surface Transport Panel

Baroness Grey-Thompson DBE – Chair
Charles Belcher – Vice Chair
Brian Cooke
Bob Oddy
Keith Williams
Steve Wright MBE

TfL Members' meeting attendance 2012/13

	Meetings of the Board attended	Meetings of the Audit and Assurance Committee attended	Meetings of the Finance and Policy Committee attended	Meetings of the Remuneration Committee attended	Meetings of the Projects and Planning Panel attended	Meetings of the Rail and Underground Panel attended	Meetings of the Safety and Sustainability Panel attended	Meetings of the Surface Transport Panel attended
Total number in the period:	6	4	5	2	6	4	3	3
Boris Johnson	6/6	–	–	2/2	–	–	–	–
Isabel Dedring	6/6	–	5/5	–	6/6	0/4	–	–
Peter Anderson	4/6	–	3/5	–	–	0/4	–	–
Sir John Armitt CBE[3]	3/5	–	–	–	1/3	1/2	–	–
Claudia Arney[1]	–	–	0/1	–	1/1	–	–	–
Sir Brendan Barber[4]	2/2	–	–	–	–	1/1	1/1	–
Richard Barnes[3]	4/5	2/2	–	–	–	2/2	2/2	–
Charles Belcher	5/6	4/4	–	–	–	3/4	3/3	2/3
Roger Burnley[3]	4/5	–	–	–	3/3	–	–	–
Brian Cooke[4]	2/2	1/1	–	–	–	1/1	–	1/1
Christopher Garnett OBE[2]	3/4	–	3/4	2/2	3/4	3/3	–	–
Baroness Grey-Thompson DBE	5/6	3/4	–	2/2	3/6	–	2/3	3/3
Sir Mike Hodgkinson[1]	–	–	1/1	–	1/1	1/1	–	–
Judith Hunt[1]	–	–	1/1	–	1/1	–	–	–
Angela Knight CBE[4]	2/2	–	0/1	–	0/1	–	–	–
Michael Liebreich[3]	4/5	–	1/2	–	–	–	2/2	–
Eva Lindholm	4/6	–	4/5	–	–	–	–	–
Daniel Moylan	6/6	–	4/5	2/2	4/6	4/4	–	0/1
Steven Norris[1]	–	–	0/1	–	0/1	–	–	–
Bob Oddy	6/6	–	–	–	–	–	2/3	3/3
Patrick O'Keeffe[2]	4/4	3/3	–	–	4/4	–	2/2	2/2
Tony West[1]	–	1/1	1/1	–	–	1/1	–	–
Keith Williams	2/6	4/4	–	–	–	–	–	0/3
Steve Wright MBE	6/6	4/4	–	–	–	3/4	–	3/3

Notes:

The attendance figures are shown as number of meetings attended/ number of meetings eligible to attend. The number of meetings eligible to attend will differ for each Member due to changes made to the membership of the Board and its Committees and Panels during the year.

1. Left the Board on 17 June 2012
2. Left the Board on 31 December 2012
3. Joined the Board on 10 September 2012
4. Joined the Board on 2 January 2013

Remuneration

This report outlines TfL's policy regarding the remuneration of its Members and the Commissioner and Chief Officers, who are responsible for directing the affairs of the organisation.

Policy for Members

Members are appointed by the Mayor and are non-executive. Remuneration payable for 2012/13 for each Member related directly to the number of panels and committees on which each member served. Remuneration also took into account those members who served as Chair of the committees and panels, up to a capped maximum.

Remuneration levels are set for each Mayoral term, but are reviewed periodically to reflect the responsibilities and accountabilities of the role. With effect from 1 August 2004, the basic fee has been £18,000 per annum. Members who act as Chair, or as a member of a committee or panel, receive additional fees of £4,000 per annum (as a Chair) and £2,000 per annum (as a Member) for each appointment. The maximum payment in aggregate is set at £24,000 per annum. Most Members also received free travel for themselves and a nominee valid on TfL transport services. The remuneration for each Member for the year ended 31 March 2013 is shown on page 231.

No allowances are paid to Members, although expenses can be claimed. There were no expenses claimed by Members in 2012/13. From January 2013 any expenses claimed by Members were published on tfl.gov.uk.

Policy for Chief Officers

Remuneration Committee

The Remuneration Committee currently consists of four Members of TfL. The terms of reference of the Remuneration Committee include reviewing the remuneration of the Commissioner and Chief Officers.

The remuneration of the Chief Executive of Crossrail is determined by the Crossrail Remuneration Committee. Crossrail is a wholly owned subsidiary of TfL with its own governance arrangements. These include a board comprising executive and independent non-executive directors as well as two non-executive directors appointed by TfL and DfT. The Crossrail Remuneration Committee operates to a set of contractually agreed Remuneration Principles and a Remuneration Framework rather than the TfL Remuneration Framework.

Remuneration policy

The policy of TfL is to provide remuneration packages for Chief Officers which attract, retain and motivate individuals of the high calibre required to manage such a large, complex organisation.

Remuneration packages reflect their responsibilities, experience and performance and the market from which TfL recruits. The Remuneration Committee has established a reward structure commensurate with this policy, which includes a base salary and a performance award scheme against the achievement of a range of stretching customer, operational, investment and financial targets.

TfL has continued to work with Towers Watson, one of the leading remuneration consultancies, to benchmark the remuneration of its Chief Officers against a peer group of comparable companies from transport, infrastructure, and public services sectors with which TfL competes for senior staff. This research has shown that TfL executives are paid at the lower end of the remuneration paid in comparator organisations; the total compensation paid to TfL's Chief Officers is generally around the lower quartile of the market. Towers Watson is retained under contract as remuneration consultants and provide no other services directly to TfL. A separate contract for investment and actuarial services is held by Towers Watson with TfL Pension Trustee Company Ltd.

Remuneration of senior staff

In recognition of the continuing challenging economic climate and financial constraints upon TfL, in 2012/13 the base pay of the Commissioner and Chief Officers was frozen for a fourth consecutive year. The Commissioner's salary was £348,444.

The Commissioner is eligible for consideration of a performance award up to a maximum of 50 per cent of base salary. The Chief Officers are eligible for consideration of a performance award up to a maximum of 30 per cent of base salary.

For the performance years 2010/11 and 2011/12, following proposals put forward by the Commissioner concerning the deferral of annual performance awards, the Remuneration Committee agreed to operate a Deferred Incentive Plan (DIP). The plan helped ensure focus was maintained on key medium term objectives (as well as in-year performance targets) to better support the delivery of the Mayor's transport strategy and of the transport infrastructure and services required to support the London 2012 Games.

Under this arrangement the annual performance awards for 2010/11 and 2011/12 available to the Commissioner and Chief Officers were deferred entirely with the eventual payment of awards dependent upon achievement against the DIP targets. A similar arrangment was implemented for TfL's Directors, with 25 per cent of the annual performance awards budget available to Directors deferred and made dependent upon the same targets.

Following the successful delivery of transport for the Games and strong performance against in-year targets, payments in respect of the DIP were made to TfL senior staff in December 2012. As a result, performance awards for 2010/11 and 2011/12 were both paid during 2012/13. The Remuneration Committee has also decided to reflect the over-performance of targets set for the London 2012 Games. Failure to have delivered for the Games would have resulted in no performance awards being made to the Commissioner or Chief Officers in respect of either 2010/11 or 2011/12. This information has been included in the remuneration disclosure (pages 126-129), under the columns headed 'Performance Related Pay for 2010/11 (and 2011/12) paid in 2012/13'.

The cumulative impact of paying out the deferred incentive awards, as well as normal annual performance awards in 2012/13, explains the variation in such payments for 2012/13 compared to the previous year.

The total number of TfL staff receiving total remuneration of over £50,000 is on page 124 and the remuneration of senior employees with a base salary of over £150,000 is on page 128.

The total number of TfL staff (including Crossrail) earning total remuneration of more than £100,000 in 2012/13 was 328, compared with 365 in 2011/12.

Other benefits

Senior officers are eligible to receive the following:

- Private medical insurance
- Annual health check-ups
- Subscriptions to professional organisations
- Pension
- Where appropriate, recompense for loss of benefits from previous employers and/or to comply with TfL's policies
- As with all TfL employees, the Commissioner and Chief Officers are provided with a free travel pass for themselves and a nominee valid on TfL transport services. Chief Officers who joined after 1 April 1996 are eligible to receive reimbursement of 75 per cent of the cost of an annual season ticket on National Rail. Chief Officers employed by predecessor organisations prior to April 1996 receive National Rail facilities in line with the policy of the predecessor organisation

Pension arrangements

Chief Officers are eligible for the following pension benefits:

- Membership of the TfL Pension Fund, a 'defined benefit' scheme which provides for a pension payable from age 65, based on 1/60th of pensionable salary for each year of service
- Pensionable salary is capped for joiners from 1 June 1989. For 2012/13, the cap was £137,400
- Up to 25 per cent of the value of the pension can be taken as a cash sum (under current legislation)
- Lump sum death benefit of four times salary on death in service
- Dependant's pension and children's pensions are paid on death in service and after retirement
- Member contributions payable at the rate of five per cent of pensionable salary
- Pension payable in the event of retirement due to ill health
- An employer contribution of up to 10 per cent of salary to either the TfL Supplementary Pension Scheme, a 'defined contribution' scheme, which provides additional benefits for those earning above the cap or paid as a supplement to base salary less an adjustment for employer national insurance contributions. The Commissioner is entitled to a pension based on TfL service equal to what would be due under the TfL Pension Fund if the cap did not apply.

Members' remuneration	For the year ended 31/03/13 £
Boris Johnson	**Not remunerated by TfL**
Isabel Dedring[1]	**Not remunerated by TfL**
Peter Anderson	**24,000**
Sir John Armitt CBE[4]	**12,223**
Claudia Arney[2]	**4,627**
Sir Brendan Barber[5]	**5,034**
Richard Barnes[4]	**12,534**
Roger Burnley[4]	**10,928**
Charles Belcher	**24,000**
Brian Cooke[5]	**5,334**
Christopher Garnett OBE[3]	**18,000**
Baroness Grey-Thompson DBE	**24,000**
Sir Mike Hodgkinson[2]	**5,047**
Judith Hunt[2]	**5,047**
Angela Knight CBE[5]	**5,034**
Michael Liebreich[4]	**11,731**
Eva Lindholm	**20,666**
Daniel Moylan[6]	**77,811**
Steven Norris[2]	**Not remunerated by TfL**
Bob Oddy	**22,666**
Patrick O'Keeffe[3]	**18,000**
Tony West[2]	**5,047**
Keith Williams	**24,000**
Steve Wright MBE	**24,000**

1 Isabel Dedring is not remunerated as a Member of TfL. She is remunerated as a TfL employee on secondment to the GLA as Deputy Mayor for Transport.

2 Stood down on 17 June 2012

3 Stood down on 31 December 2012

4 Appointed 10 September 2012

5 Appointed 2 January 2013

6 This is the total remuneration received from TfL in 2012/13 which comprised £24,186 from 1 April to 17 June 2012 (pro rata at a rate of £115,000 for the role of Deputy Chairman of TfL) and £53,625 from 17 September 2012 to 31 March (comprising £13,000 as a Member of TfL pro rata at a rate of £24,000 p/a and £40,625 for additional aviation duties pro rata at a rate of £75,000 p/a)

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July 2013

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CC13_011 Annual Report