

Board

Date: 25 July 2018

Item: TfL Annual Report and Statement of Accounts for the
Year Ended 31 March 2018

This paper will be considered in public

1 Summary

- 1.1 The purpose of this report is to present TfL's Annual Report and Accounts for the year ended 31 March 2018, to request the Board's approval:
- (a) of the Statement of Accounts included in the Annual Report;
 - (b) for the provision of an ongoing parent company guarantee by Transport Trading Limited (TTL) to a number of TfL's subsidiary companies and the extension of that guarantee to four other subsidiary companies; and
 - (c) for the publication of TfL's 2017/18 Annual Report.
- 1.2 On 7 June 2018, the Audit and Assurance Committee considered the Annual Report and the Statement of Accounts for the year ended 31 March 2018 and endorsed the recommendations in this paper.

2 Recommendations

- 2.1 **The Board is asked to:**
- (a) **approve the 2017/18 Annual Report, subject to any comments it might have;**
 - (b) **authorise the Managing Director, Customers, Communication and Technology, to make any further design or editorial changes to the Annual Report as may be required;**
 - (c) **approve the Statement of Accounts and to agree that the statutory Chief Finance Officer will make any adjustments arising from the work prior to the auditors signing their opinion. Should any changes be required to the Statement of Accounts which, in the opinion of the statutory Chief Finance Officer, are material, she will seek the approval of the Board to these changes; and**
 - (d) **confirm its overall approval of the provision of an ongoing guarantee by Transport Trading Limited of all the outstanding liabilities of those of its subsidiary companies listed below, such guarantee enabling those subsidiaries to be exempt from the need to have their accounts audited:**

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

(e) confirm its approval in respect of the provision of a guarantee to the following subsidiary companies with effect from the financial period ended 31 March 2018:

- (i) TTL Blackhorse Road Properties Limited;
- (ii) TTL Landmark Court Properties Limited;
- (iii) TTL Kidbrooke Properties Limited; and
- (iv) TTL Southwark Road Properties Limited.

3 Background

- 3.1 TfL is required under section 161 of the Greater London Authority Act 1999 (the GLA Act) to produce a report on its achievements and the performance of its functions during the year. Approval of the Annual Report is a matter reserved to the Board under TfL's Standing Orders. The Annual Report includes the information that is required under the GLA Act.
- 3.2 TfL is also required, under the Accounts and Audit Regulations 2015 (the Regulations) to prepare a Statement of Accounts each year. The Regulations further require that the Statement of Accounts is approved by a resolution of a Committee of the Board, or otherwise by a resolution of the members of TfL, meeting as a whole.
- 3.3 The 2017/18 Annual Report will include TfL's Statement of Accounts for the year ended 31 March 2018. While this is not a legal requirement, it is regarded as good practice and will assist key audiences in understanding TfL's financial and operational performance over the year.
- 3.4 The structure of the report has been designed for the web and it will be available on TfL's website, electronically and in other formats on request.

4 Statement of Accounts

- 4.1 The Statement of Accounts has been prepared in accordance with the provisions of the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 (“the Regulations”). The form, content and accounting policies followed in preparing the Statement of Accounts are as prescribed in the Regulations and by the Code of Practice on Local Authority Accounting which is developed and published by the CIPFA/LASAAC joint committee (“the Code”). The Code is based on International Financial Reporting Standards.
- 4.2 The Regulations require that the responsible financial officer, namely the Statutory Chief Finance Officer, sign and date the Statement of Accounts before the commencement of the period for the exercise of public rights, and certify that it presents a true and fair view of the financial position of TfL at the end of the year to which it relates and of TfL’s income and expenditure for that year.
- 4.3 The Statement of Accounts was certified by the Statutory Chief Finance Officer on 30 May 2018 and published on TfL’s website together with the Annual Governance Statement on that day. Appropriate notices were placed on TfL’s website, and media briefings were held. The period for exercise of public rights consequently commenced on 31 May and concluded on 11 July 2018.

5 Subsidiary Companies Audit Exemption

- 5.1 For the year ended 31 March 2014, the Group took advantage of recent changes under section 479A of the Companies Act 2006 that enable certain UK subsidiary companies to claim exemption from audit of their accounts.
- 5.2 The exemption is conditional on a parent undertaking giving a guarantee to its subsidiary in respect of all liabilities of that subsidiary outstanding at the balance sheet date, and on 5 June 2014, under authority delegated by the Board on 26 March 2014, the then Finance and Policy Committee agreed that, for the year ended 31 March 2014 and for future years until withdrawn, the holding company for TfL’s trading subsidiaries, Transport Trading Limited, will offer the guarantee to a majority of its subsidiaries.
- 5.3 For the year ended 31 March 2018, the majority of TTL’s subsidiaries will again claim exemption from audit.

6 Audit and Assurance Committee Review

- 6.1 On 7 June 2017, the Audit and Assurance Committee considered the draft Annual Report, the draft Statement of Accounts and the Annual Governance Statement.

Annual Report 2017/18

- 6.2 The Committee welcomed the Annual Report as a readable and accessible document. It suggested that greater emphasis was given to the difficult challenges TfL was managing, including the loss of Government grant, and the vital role that Vision Zero has to play in delivering the Healthy Streets agenda. These have been reflected in the text. The Committee noted the delegation to the Managing Director, Customers, Communication and Technology to make any adjustments prior to submission to the Board.

TfL's Statement of Accounts for the Year Ended 31 March 2018

- 6.3 The Committee noted the draft Statement of Accounts and the delegation to the Statutory Chief Finance Officer to make any adjustments arising from the ongoing audit work, prior to the submission to the Board.
- 6.4 The Committee recommended that the Board confirm its overall approval of the provision of an ongoing guarantee by Transport Trading Limited of all the outstanding liabilities of those of its subsidiary companies previously provided with a guarantee and to extend that guarantee to four other subsidiaries. While the accounts of Transport Trading Limited are audited, those subsidiaries given a guarantee are exempt from the need to have their accounts audited, which results in savings in audit fees.

Review of Governance and the Annual Governance Statement for Year Ended 31 March 2018

- 6.5 The Committee approved the Annual Governance Statement for signing by the Chair of TfL and the Commissioner, for inclusion in the 2017/18 Annual Report and Accounts. The Committee reviewed the progress against the Governance Improvement Plan 2017/18 and agreed the Improvement Plan for 2018/19.
- 6.6 It was agreed that the Annual Governance Statement should include references to: the additional meetings of the Safety, Sustainability and Human Resources Panel, following the tram derailment at Sandilands, Croydon, and other safety related issues.
- 6.7 The Annual Governance Statement has been updated as requested by the Committee.

7 Information

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

List of appendices to this report:

Appendix 1: Draft Annual Report and Statement of Accounts 2017/18 (provided as a separate printed document)

List of Background Papers:

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

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