

**Date:** 2 March 2023

**Item:** TfL Remuneration

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## **This paper will be considered in public**

### **1 Background and Purpose**

- 1.1 This paper provides the Committee with an update on annual remuneration processes pan-TfL, including both base pay and performance awards.
- 1.2 This paper contains details of the base pay annual pay reviews effective 1 April or 1 July 2020 and the base pay annual pay reviews effective 1 April or 1 July 2021. This paper also contains details of performance awards paid in the 2020/21 and 2021/22 financial years that relate to the 2019/20 performance year. This information has previously been summarised in TfL's Annual Report and Accounts for the financial years ending 31 March 2021 and 31 March 2022.
- 1.3 Performance Award schemes across senior management and TfL Pay for Performance were suspended for the performance year 2020/21.
- 1.4 Base pay for 2021 was frozen as per our funding agreement with Government. The exceptions to this were the existing agreement within London Underground (year three of the four-year pay deal that was already in place) and some Surface Operations areas in multi-year pay deals. An additional exception was made for those earning below £24,000 where a consolidated pay increase of £250 was awarded in alignment with the Civil Service Pay Remit.
- 1.5 Following the conclusion of the 2022 TfL pay negotiation process in January 2023 without agreement, TfL is now in the process of implementing a two-year pay deal covering 1 April 2022 and 1 April 2023 for employees covered by its TfL Pay for Performance, Senior Manager Reward Framework and Surface Operations. The two-year pay deal is as follows: Year one (1 April 2022) four per cent with a minimum increase of £1,160 plus a non-consolidated lump sum of £500 for those on a FTE salary of £31,250 or below; Year two (1 April 2023) 4.4 per cent with a minimum increase to be determined at 31 March 2023. For both years anyone who's currently below band minimum will have their salary increased to the band minimum and the above pay rises applied on top.
- 1.6 The London Underground pay deal for 2022 represented the last year of the four year pay deal. The 2022 agreement for LU was RPI +0.2 per cent based on February 2022 RPI. The 2022 LU pay award was 8.4 per cent.
- 1.7 At its 9 November 2022 meeting, the Committee agreed to apply an annual pay review for 2022 that matches the same percentage increase applied in TfL for those Chief Officers that did not receive a pay increase as part of the TfL leadership restructure during 2022. Any such increase would be consolidated into base pay and backdated to 1 April 2022.

- 1.8 The Committee was also asked to note the intention that the same approach will be applied to Directors who similarly did not receive a pay adjustment as part of the TfL leadership restructure (as also set out in a previous paper presented on the Director restructure). Any such increase would be consolidated into base pay and backdated to 1 April 2022.
- 1.9 The Commissioner and the Executive Committee will consider individual increases for 2023 for Directors up to a maximum of 4.4 per cent. Any decision to increase pay for an individual Director would take into account internal relativity with other Director roles as well as external market benchmarking for the role being undertaken and would be consolidated into base pay effective from 1 April 2023.

## 2 Recommendation

- 2.1 The Committee is asked to note the paper.

## 3 Commissioner, Chief Officer and Director Performance Awards

- 3.1 The annual remuneration process for these levels is for the non-consolidated performance award element only, as changes to base salary were governed by the re-structure in early 2022.
- 3.2 The Performance Award schemes for senior management are determined by a matrix using a combination of business scorecard outturn and individual performance rating. The business scorecard achievement determines the level of budget available for performance awards and individual performance ratings determine the actual percentage award received from that budget.
- 3.3 The following tables detail the maximum opportunity as a percentage of base salary, the actual cost of awards and the average percentage performance award received.

### Commissioner

Table 1

Performance Year	Max Performance Award %	Performance Award Spend £	Actual %
2019/20*	50%	£168,006	47.20%
2020/21	Performance award schemes suspended		

\*payments were deferred and paid in June 2021

### Managing Directors

Table 2

Performance Year	Max Performance Award %	Performance Award Spend £	Actual %
2019/20*	30%	£394,598	23.19%
2020/21	Performance award schemes suspended		

\*payments were deferred and paid in June 2021

## Directors

Table 3

Performance Year	Max Performance Award %	Performance Award Spend £	Actual %
2019/20*	20%	£825,011	15.33%
2020/21	Performance award schemes suspended		

\*payments were deferred and paid in June 2021

## 4 Senior Managers (Payband 4 and 5) – Pan-TfL

### Base Pay

- 4.1 The Executive Committee chose not to increase base pay for senior managers for 2019/20 and they were also subject to the pay freeze for 2020/21 as per the funding arrangements with Government.

### Performance Awards

- 4.2 Performance Awards are determined in the same way as described above for the Directors, Chief Officers and the Commissioner by using a matrix utilising a combination of business scorecard outturn and individual performance. The following tables detail the maximum opportunity as a percentage of base salary, the actual cost of awards and the average percentage performance award received.

Table 4

Performance Year	Budget as a % of base pay	Budget £	Performance Award Spend £	Average %
2019/20*	8.20%	£7,457,575	£7,318,301	8.05%
2020/21	Performance award schemes suspended			

\*payments were deferred and paid in June 2021

## 5 Commercial Development (Property Development and Commercial Asset Management only)

### Base Pay

- 5.1 The annual base pay review process is the same as that operated for all other TfL Senior Managers described above.

### Performance Awards

- 5.2 The performance award scheme for Property Development and Commercial Asset Management operates in the same way as the other TfL senior management

arrangements but with the potential for increased maximum awards dependent upon level. Maximum award opportunities are 30 per cent, 60 per cent and 100 per cent of base salary respectively for their Payband 4 and 5 Senior Managers and one Director.

- 5.3 These maximum award levels were first implemented in 2015 with the setup of our Property Development team. They are necessary to attract and retain the talent required to deliver our programmes from the commercial property sector where performance-based variable pay elements are typically paid at these levels or higher. Commercial Development is a critical revenue generating function for TfL targeted with delivering sustainable net income of £187m by 2030/31 (increasing from £69m in 2020/21) which includes delivering land capacity for 20,000 new homes by 2031.

**Table 5**

Performance Year	Maximum Potential Pay-out	Total Pay-out	Percentage Pay-out
2019/20*	£1,000,900	£559,770	55.9%
2020/21	Performance award schemes suspended		

\*payments were deferred and paid in June 2021

## 6 London Underground

### Base Pay

- 6.1 Below Senior Manager level, there are two separate pay frameworks within London Underground. Performance Related Pay (PRP) typically applies to administration staff up to middle management (including some operational managers). PRP provides for consolidated base pay increases that are driven by performance rating from the negotiated general increase budget. Those with a performance rating of 3 receive the negotiated budget percentage, whilst those with higher ratings of 4 or 5 receive slightly higher increases.
- 6.2 The remainder of staff (mainly operational) have pay increased by the negotiated 'general increase' percentage. The vast majority of these roles are 'spot rate' such that the rate for the role is simply increased.
- 6.3 2020 marked the second year of the four-year pay deal in London Underground. The pay deal determined that pay would be increased by the value of the February Retail Prices Index (RPI) + 0.2 per cent. February 2020 RPI was 2.5 per cent.

**Table 6 – 2019/20**

Pay Review Framework	Total Base Pay Pre Pay Review	Budget %	Budget £	Total Base Pay Post Pay Review	Cost of Base Pay Review £	Actual %
LU PRP	£245,565,609	2.70%	£6,630,271	£252,195,880	£6,630,271	2.70%
LU Operational	£567,333,001	2.70%	£15,317,991	£582,650,992	£15,317,991	2.70%

- 6.4 2021 marked the third year of the four-year pay deal in London Underground. The pay deal determined that pay would be increased by the value of the February Retail Prices Index (RPI) + 0.2 per cent (minimum increase of one per cent). February 2021 RPI was 1.4 per cent.

**Table 7 – 2020/21**

Pay Review Framework	Total Base Pay Pre Pay Review	Budget %	Budget £	Total Base Pay Post Pay Review	Cost of Base Pay Review £	Actual %
<b>LU PRP</b>	£259,512,716	1.60%	£4,152,203	£263,664,919	£4,152,203	1.60%
<b>LU Operational</b>	£588,408,174	1.60%	£9,414,531	£597,822,705	£9,414,531	1.60%

- 6.5 The four-year pay deal is as follows: Year one (1 April 2019) RPI + 0.2 per cent with minimum increase of £750, Year two (1 April 2020) RPI + 0.2 per cent, Year three (1 April 2021) RPI + 0.2 per cent (minimum increase of one per cent), Year four (1 April 2022) RPI + 0.2 per cent (minimum increase of two per cent).

### **Performance Awards**

- 6.6 Below Senior Manager level, there were no non-consolidated performance award arrangements in operation in London Underground during 2019/20 or 2020/21.

## **7 Transport for London (Pay for Performance)**

### **Base Pay**

- 7.1 Below Senior Manager level TfL operates its Pay for Performance framework across Paybands 1 – 3. The annual base pay budget is negotiated with the TfL Company Council. For Paybands 2 and 3, this budget is then distributed using a matrix that factors performance rating and pay range position to determine percentage increases. The general principle is the higher the rating and the lower in the pay range an individual is, the higher the potential increase they would receive.
- 7.2 At Payband 1 base pay is increased by the negotiated percentage up to the pay range maximum, thereafter it is paid as a non-consolidated award.
- 7.3 Following the culmination of the 2020 TfL pay negotiation process in September 2020 with agreement from the trade unions, TfL implemented a two per cent budget for Pay for Performance. Given the distribution method described, the total actual percentage spend was below the budget amount at 1.84 percent.

**Table 8**

Base Pay Pre Pay Review	Budget %	Budget £	Base Pay Post Pay Review	Cost of Base Pay Review £	Actual %
<b>£300,972,044</b>	2%	£6,019,441	£306,515,503	£5,543,459	1.84%

- 7.4 For 2021, employees within Pay for Performance were subject to the pay freeze as per the funding arrangements with Government.

## Performance Awards

- 7.5 Under Pay for Performance, Paybands 2 and 3 are eligible for a performance award directly driven by an individual's performance rating. The Executive Committee decided to distribute performance awards using a 2.25 per cent budget for 2019/20, these payments were not deferred and were paid in November 2020. For 2020/21 all performance award schemes were suspended across all levels.

Table 9

Performance Year	Budget as a % of total base pay	Budget £	Performance Award Spend £	Actual %
2019/20	2.25%	£6,370,506	£6,084,570	2.15%
2020/21	Performance award scheme suspended			

- 7.6 The underspend against the budget is caused by the pro-rating of awards for those who are eligible but do not work the full performance year.

## 8 Surface Transport Operational

### Base Pay

- 8.1 Base pay in Surface Transport operational areas is negotiated at a local level between management and unions. Some of the pay deals currently in place are for multi-year arrangements. Table 10 below sets out the arrangements applied in 2020 and 2021 by business area. Those with a budget in 2021 were part of multi-year pay deals.

Table 10

Pay Review Framework	2020 Budget %	2021 Budget %
Bus Station Controllers (London Buses)	2%	Pay freeze
Network Traffic Controllers (London Buses)	2%	Pay freeze
Night Network Traffic Controllers (London Buses)	2%	Pay freeze
CentreComm Controller (London Buses)	2%	Pay freeze
Pier Controllers (London River Services)	2%	Pay freeze
VCS operational grades - various	2%	Pay freeze
Dial-a-Ride Drivers (and all other depot based staff)	1.5%	0.5%
Dial-a-Ride Engineers	1.5%	0.5%
Dial-a-Ride All MCC Staff	1.5%	0.5%
Revenue Protection Inspectors	£620 increase per grade	Pay freeze
Road and Transport Enforcement Officers	£620 increase per grade	Pay freeze
TPHC entry level Compliance Officers	£620 increase per grade	Pay freeze
Traffic Surveyors (London Buses)	No deal reached, previous deal expired 31 March 2020	Pay freeze

## Performance Awards

- 8.2 There are no non-consolidated performance award arrangements in Surface Transport operational business areas.

## 9 Rail for London Infrastructure (RfLI) Limited (Elizabeth Line)

### Base Pay

- 9.1 Below Senior Manager level, the annual base pay budget is negotiated by management at two bargaining groups which cover RfLI Operations and RfLI Maintenance.
- 9.2 2019/20 was the final year of a two-year pay deal within RFLI, with the 2020 increase based on RPI (Feb 2020) + 0.1 per cent, resulting in a budget of 2.6 per cent.
- 9.3 The pay framework at this time was similar to that of TfL Pay for Performance, with budget distributed using a matrix that factored performance rating and pay range position to determine percentage increases. The general principle was the higher the rating and the lower in the pay range an individual was, the higher the potential increase.
- 9.4 However, while Maintenance continued to use the PfP base pay and performance award matrices in line with the framework at this time, Operations had adopted a different approach, with employees receiving the budget amount for a flat rate base pay increase instead (i.e. 2.60 per cent for 2019/20).
- 9.5 In November 2020 the RFLI pay framework was reviewed and a decision taken in consultation with the relevant Trades Unions to move away from RfLI Pay for Performance to a simpler proposition more usual in an operational environment.
- 9.6 The separate performance award element and base pay matrix were removed entirely. Under the revised framework, the negotiated budget is applied to individuals' base pay irrespective of performance rating.
- 9.7 The first annual pay review under the new framework was in 2021, at which point employees within the RFLI pay framework were subject to the pay freeze under the funding conditions.
- 9.8 The 2019/20 base pay budget was 2.6 per cent with actual costs as follows:

Table 11

Base Pay Pre Pay Review	Budget %	Budget £	Base Pay Post Pay Review	Cost of Base Pay Review £	Actual %
£6,724,170	2.60%	£ 173,884	£6,870,717	£ 146,547	2.18%

### Performance Awards

- 9.9 Under the 2019/20 RfLI Pay for Performance Framework employees were eligible for a performance award directly driven by an individual's performance rating.



- 9.10 However, at this time Operations had adopted a different approach with all employees receiving the performance award associated with a '3 rating'.
- 9.11 Performance awards were distributed using a 2.25 per cent budget with the actual costs as follows:

**Table 12**

Budget as a % of total base pay	Budget £	Performance Award Spend £	Actual %
2.25%	£151,294	£95,312	1.42%

- 9.12 The underspend against the budget is due to the pro-rating of awards for those who are eligible but do not work the full performance year.

## 10 London Transport Museum

- 10.1 LTM pay is determined locally by management in accordance with the Museum's pay and grading structure. In practice, the budget may be the same as that agreed for TfL PfP.

### Base Pay

- 10.2 The annual base pay budget is the same as negotiated budget for TfL Pay for Performance. For Paybands 2 and 3 pay this budget is distributed using a matrix that factors performance rating and pay range position to determine percentage increases.
- 10.3 Within LTM there are two different arrangements at Payband 1. Those employees on the Customer Service Assistant grade are paid a spot rate for the role. Their salary increases in line with the spot rate changes year on year, as well as under the Band 1 arrangements for the year. For all other Band 1 employees, base pay is increased by the negotiated percentage up to the pay range maximum, thereafter it is paid as a non-consolidated award.
- 10.4 In line with TfL, a two per cent budget was awarded for LTM Pay for Performance. Given the distribution method described, the total actual percentage spend was below the budget amount at 1.30 per cent.
- 10.5 For 2021, employees within LTM Pay for Performance were subject to the pay freeze as per the funding arrangements from Government.

**Table 13**

Base Pay Pre Pay Review	Budget %	Budget £	Base Pay Post Pay Review	Cost of Base Pay Review £	Actual %
£3,607,706	2%	£72,154	£3,655,575	£47,869	1.33%

### Performance Awards

- 10.6 Under PfP, Paybands 2 and 3 are eligible for a performance award directly driven by an individual's performance rating. The LTM Remuneration Committee decided



to distribute performance awards using a 2.25 per cent budget, these were not deferred. For 2020/21 performance award schemes were suspended across all levels.

**Table 14**

<b>Performance Year</b>	<b>Budget as a % of total base pay</b>	<b>Budget £</b>	<b>Performance Award Spend £</b>	<b>Actual %</b>
<b>2019/20</b>	<b>2.25%</b>	£60,499	£59,037	2.20%
<b>2020/21</b>	Performance award scheme suspended			

10.7 The underspend against the budget is caused by the pro-rating of awards for those who are eligible but do not work the full performance year.

**List of appendices to this report:**

None

**List of Background Papers:**

None

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