

This paper will be considered in public

1 Summary

- 1.1 This paper provides the Committee with an update on annual remuneration outcomes pan-TfL, including both base pay and performance awards. Updates are shared with the Committee once the information is available in TfL's Annual Report and Accounts.
- 1.2 This paper summarises details of the base pay annual pay reviews effective 1 April or 1 July 2022. This paper also provides details of performance awards that relate to the 2021/22 performance year and were paid in the 2023/24 financial year as TfL achieved the financial overlay trigger to pay performance awards. This information is summarised in TfL's draft Annual Report and Accounts for the financial year ending and 31 March 2024.

2 Recommendation

- 2.1 **The Committee is asked to note the paper.**

3 Background

- 3.1 Following the culmination of the 2022 TfL pay negotiation process in January 2023 without agreement, TfL implemented the first year of the two-year pay deal commencing 1 April 2022 for employees covered by its TfL Pay for Performance, Senior Manager Reward Framework, London Transport Museum, Rail for London Infrastructure and TfL Operations. The pay deal for this period was: 4.0 per cent with a minimum increase of £1,180 for those on a full-time equivalent (FTE) salary of £29,000 or below and a £500 non-consolidated payment for those on a FTE salary of £31,250 or below. Payments were made in February and March 2023.
- 3.2 At its meeting on 9 November 2022, the Committee agreed to apply an annual pay review for 2022 that matched 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.
- 3.3 The Committee also noted the intention that the same approach would be applied to Directors effective 1 April 2022 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).
- 3.4 In relation to performance awards, on 15 May 2023, the Chair of the Committee, in consultation with its members, confirmed that the 'financial overlay trigger' had been met meaning any performance awards for 2021/22 and 2022/23 could be paid in August 2023.

4 Commissioner, Chief Officer and Directors

Base Pay

- 4.1 Previously, base pay for the Commissioner, Chief Officers and Directors had been frozen for the duration of the Mayor's term in office. However, at its meeting in November 2022, the Committee agreed to make adjustments to selected Chief Officers and Directors.

Chief Officers

Table 1

Base Pay Pre Pay Review	Base Pay Post Pay Review	Cost of Base Pay Review £	Actual %
£1,252,777	£1,271,288	£18,511	1.48%

Directors

Table 2

Base Pay Pre Pay Review	Base Pay Post Pay Review	Cost of Base Pay Review £	Actual %
£5,506,000	£5,627,320	£130,320	2.20%

Performance Awards

- 4.2 The Performance Award schemes for senior management are determined by a matrix using a combination of business scorecard outturn, individual performance rating and the 'financial overly trigger' – the requirement for TfL to achieve financial sustainability by 1 April 2023 before any performance awards could be paid in respect of 2021/22 or 2022/23.
- 4.3 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.
- 4.4 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 3

Performance Year	Max Performance Award %	Performance Award Spend £	Actual %
2021/22	50%	£0	0%

No performance award paid due to resignation of Commissioner on 29 October 2022.

Chief Officers

Table 4

Performance Year	Max Performance Award %	Performance Award Spend £	Actual %
2021/22	30%	£129,015	13.83%

Directors

Table 5

Performance Year	Max Performance Award %	Performance Award Spend £	Actual %
2021/22	20%	£710,810	13.44%

Directors – Personal Performance Arrangements

- 4.5 A total of eight Directors were under personal performance award arrangements in respect of 2021/22, with payments totalling £219,652.

5 Senior Managers (Paybands 4 and 5) – Pan-TfL

Base Pay

- 5.1 The Senior Manager Reward Framework is TfL's performance-based pay framework for Senior Managers. Under the framework, base pay is managed across two separate broad band pay ranges for payband 4 and payband 5 Senior Managers.
- 5.2 The two-year pay offer effective 1 April 2022 and 1 April 2023 applied a flat rate increase to base pay for all paybands 4 and 5 employees and base pay awards were not allocated on a discretionary basis. The pay award for the first year of the two-year pay offer was 4.0 per cent.

Table 6

Base Pay Pre Pay Review	Budget %	Budget £	Base Pay Post Pay Review	Cost of Base Pay Review £	Actual %
£34,099,626	4.0%	£1,363,985	£35,483,465	£1,415,599	4.15%

5.3 The overspend against the budget is due to additional sweep to pay range minimum payments.

Performance Awards

5.4 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 7

Performance Year	Budget as a % of base pay	Budget £	Performance Award Spend £	Average %
2021/22	8.1%	£7,457,575	£5,965,394	7.1%

Senior Manager Personal Performance Award Arrangements

5.5 A total of five Senior Managers at payband 5 were under a personal performance award arrangements in 2021/22, with payments totalling £93,000.

6 Places for London (Property Development and Commercial Asset Management only)

Base Pay

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

Performance Awards

6.2 Property Development and Commercial Asset Management have a separate performance award arrangement for their paybands 4 and 5 Senior Managers and one Director. Maximum award opportunities are 30 per cent, 60 per cent and 100 per cent of base salary respectively. Beyond the award multiples the scheme design operates in the same as for the other senior management schemes with the level of performance awards determined using a matrix based on a combination of business scorecard outturn and individual performance.

Table 8

Performance Year	Maximum Potential Pay-out	Total Pay-out	Percentage Pay-out
2021/22	£842,950	£458,762	54.42%

7 London Underground

Base Pay

- 7.1 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, while those with higher ratings of 4 or 5 receive slightly higher increases.
- 7.2 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.
- 7.3 2022 marked the fourth 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 2022 RPI was 8.2 per cent.

Table 9 – 2021/22

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	£260,366,789	8.4%	£21,870,810	£282,237,599	£21,870,810	8.4%
LU Operational	£594,462,903	8.4%	£49,934,884	£644,397,787	£49,934,884	8.4%

- 7.4 The four-year pay deal was: Year 1 (1 April 2019) RPI + 0.2 per cent with minimum increase of £750, Year 2 (1 April 2020) RPI + 0.2 per cent, Year 3 (1 April 2021) RPI + 0.2 per cent (minimum increase of one per cent), Year 4 (1 April 2022) RPI + 0.2 per cent (minimum increase of two per cent).

Performance Awards

- 7.5 Below Senior Manger level, there were no non-consolidated performance award arrangements in operation in London Underground during 2021/22.

8 Transport for London (Pay for Performance)

Base Pay

- 8.1 Below Senior Manager level, TfL operates its Pay for Performance framework across paybands 1-3. For the two-year pay offer effective 1 April 2022 and 1 April 2023, the percentage increase determined following negotiations with the trade unions was applied to base pay consistently to all eligible employees on paybands 1-3. The pay award for the first year of the two-year pay offer was: 4.0 per cent with a minimum increase of £1,180 for those on a FTE salary of £29,000 or below and a £500 non-consolidated payment for those on a FTE salary of £31,250 or below.

Table 10

Base Pay Pre-Pay Review	Budget %	Budget £	Base Pay Post Pay Review	Cost of Base Pay Review £	Actual %
£295,013,840	4.0%	£11,800,554	£305,050,722	£11,219,860	3.8%

- 8.2 The underspend against the budget is due to the business rules pertaining to leavers.

Performance Awards

- 8.3 Under Pay for Performance, paybands 2 and 3 are eligible for a performance award, which is determined by an individual's performance rating, the level of budget available, and for 2021/22 and 2022/23, the 'financial overlay trigger' as described above. The Executive Committee decided to distribute performance awards using a 2.25 per cent budget for 2021/22.

Table 11

Performance Year	Budget as a % of total base pay	Budget £	Performance Award Spend £	Actual %
2021/22	2.25%	£6,527,478	£6,526,281	2.25%

9 TfL Operational (former Surface Transport Operations)

Base Pay

- 9.1 In 2022 Surface Operations became subject to the same single collective bargaining arrangements as TfL Pay for Performance. As such, Surface Operations colleagues received the first of the two-year pay offer as: 4.0 per cent with a minimum increase of £1,180 for those on a FTE salary of £29,000 or below and a £500 non-consolidated payment for those on a FTE salary of £31,250 or below.

Table 12

Base Pay Pre Pay Review	Budget %	Budget £	Base Pay Post Pay Review	Cost of Base Pay Review £	Actual %
£29,594,467	4.0%	£1,183,779	£30,778,245	£1,323,516	4.5%

- 9.2 The overspend against the budget is caused by the additional minimum uplifts outlined in the pay offer and the non-consolidated payments.

Performance Awards

- 9.3 There are no non-consolidated performance award arrangements in TfL Operations roles.

10 Rail for London Infrastructure (RfLI) Limited (Elizabeth line)

Base Pay

- 10.1 Below Senior Manager level, RfLI Operations and Maintenance teams negotiate the annual base pay budget with local bargaining groups TSSA and Prospect.
- 10.2 2021/22 was the first year of a two-year pay deal within RfLI, with the 2022 pay deal as: 4.0 per cent with a minimum increase of £1,180 for those on a FTE salary of £29,000 or below and a £500 non-consolidated payment for those on a FTE salary of £31,250 or below.
- 10.3 In November 2020 the RfLI pay framework was reviewed and a decision taken in consultation with the relevant trade unions to move away from RfLI Pay for Performance to a simpler proposition more usual in an operational environment.
- 10.4 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.

Table 13

Base Pay Pre Pay Review	Budget %	Budget £	Base Pay Post Pay Review	Cost of Base Pay Review £	Actual %
£13,783,382	4.0%	£387,310	£14,177,671	£405,045	4.07%

10.5 The overspend against the budget is due to additional sweep to pay range minimum payments as well as the non-consolidated payments.

11 London Transport Museum (LTM)

11.1 The LTM remains subject to the same collective bargaining arrangements as TfL Pay for Performance.

Base Pay

11.2 The annual base pay budget is the same as the negotiated budget for TfL Pay for Performance. Within LTM there are two different arrangements at payband 1. Those employees on the Customer Service Assistant/Operations Resourcing Assistant grade are paid a spot rate for the role. Their salary is reviewed on an annual basis taking into account increases in the London Living Wage. For all other payband 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.

11.3 In line with TfL, the pay award for employees not paid a spot rate was: 4.0 per cent with a minimum increase of £1,180 for those on a FTE salary of £29,000 or below and a £500 non-consolidated payment for those on a FTE salary of £31,250 or below.

Table 14

Base Pay Pre Pay Review	Budget %	Budget £	Base Pay Post Pay Review	Cost of Base Pay Review £	Actual %
£3,817,579	4.0%	£152,703	£3,912,721	£188,162	4.93%

11.4 The overspend against the budget is due to additional sweep to pay range minimum payments, the significant uplift in the London Living Wage in November 2021 and the non-consolidated payments.

Performance Awards

11.5 Under Pay for Performance, paybands 2 and 3 are eligible for a performance award directly driven by an individual's performance rating. For 2021/22 and 2022/23, the 'financial overlay trigger', as described above, was also a factor.

11.6 The LTM Remuneration Committee decided to distribute performance awards aligned to the TfL performance award matrix, which represented an overspend against the budget due to a skew of performance ratings towards the higher-end of the rating scale.

Table 15

Performance Year	Budget as a % of total base pay	Budget £	Performance Award Spend £	Actual %
2021/22	2.25%	£66,490	£80,851	2.74%

List of appendices to this report:

None

List of Background Papers:

None

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