Annual report and accounts 2022 to 2023

Remuneration report

Remuneration and Nominations Committee

The Remuneration and Nominations Committee maintains strategic oversight of the approach to remuneration, performance, reward, as well as other terms and conditions of all staff. It also has a specific role in reviewing the remuneration packages of ORR's senior civil servants (SCS) including the Chief Executive. It comprises three non-executive members of the Board. For 2022-23 these were Anne Heal (Committee Chair), Catherine Waller and Justin McCracken.

The Committee's role is set out in the Board's rules of procedures. Our Civil Service pay strategy accords with parameters set by the Cabinet Office for the SCS following recommendations by the Senior Salaries Review Body.

Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The recruitment principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at

www.civilservicecommission.org.uk.

Remuneration policy

Remuneration of senior civil servants is set out in their contracts and is subject to annual review, taking into account guidance from Cabinet Office and the recommendations of the Senior Salaries Review Body. The notice period for all senior members of ORR does not exceed six months.

Each senior civil servant participated in performance management arrangements under which top performers have the opportunity to be awarded a performance-related payment, following the annual Cabinet Office pay guidance and the 'Performance Management Arrangements for the Senior Civil Service' (Cabinet Office, March 2023 edition).

These performance payments are non-consolidated and non-pensionable.

The remuneration of the Chair and Non-Executive Directors is set by the Secretary of State for Transport. Remuneration of Non-Executive Board members is by payment of salaries, and they have no entitlement to performance-related pay.

The arrangements for early termination of contracts of senior civil servants are made in accordance with the employment contract of the relevant individual subject to the provisions of the Civil Service Compensation Scheme. No early termination payments were made to senior civil servants in 2022-23 (2021-22: none).

Salary and pension entitlements (audited)

The following sections provide details of the remuneration and pension interests of the Executive Directors of ORR.

Single total figure of remuneration (audited)

Table 10: 2022-23 directors' remuneration, with 2021-22 comparatives in brackets

Director	Salary (£000)	Bonus payments (£000)	Benefits in kind (to nearest £100) (£)	Pension benefits (£000)	Total (£000)
John Larkinson Chief Executive	160-165 (155-160)	10-15 (10-15)	600 400)	30 (28)	205-210 (195-200)
Feras Alshaker [note 1] Director, Planning and Performance	120-125 (60-65)	- (-)	- (-)	48 (23)	170-175 (80-85)
Dan Brown [note 2] Director, Economics, Markets and Strategy	- (130-135)	- (-)	- (-)	- (41)	- (170-175)
Will Godfrey [note 3] Director, Economics, Finance and Markets	100-105 (-)	- (-)	- (-)	19 (-)	120-125 (-)

Director	Salary (£000)	Bonus payments (£000)	Benefits in kind (to nearest £100) (£)	Pension benefits (£000)	Total (£000)
Russell Grossman Director, Communications	135-140 (135-140)	- (0-5)	- (-)	(76) ((19))	60-65 (120-125)
Freya Guinness [note 4] Director, Corporate Operations and Organisational Development	-< (5-10)	- (-)	- (-)	- (3)	- (5-10)
Vinita Hill [note 5] Director, Corporate Operations and Organisational Development	120-125 (60-65)	- (-)	- (-)	65 (72)	185-190 (130-135)
Juliet Lazarus [note 6] General Counsel	- (25-30)	- (-)	- (-)	- ((228))	- ((200-205))

Director	Salary (£000)	Bonus payments (£000)	Benefits in kind (to nearest £100) (£)	Pension benefits (£000)	Total (£000)
and Director of Competition					
Ian Prosser Director, Railway Safety	145-150 (145-150)	- (5-10)	- (-)	53 (52)	195-200 (205-210)
Graham Richards [note 7] Director	35-40 (60-65)	- (-)	- (-)	15 (40)	50-55 (100-105)
Liz Thornhill [note 8] General Counsel	115-120 (25-30)	- (-)	- (-)	37 (13)	155-160 (40-45)
Stephanie Tobyn [note 9] Director, Strategy, Policy and Reform	120-125 (60-65)	- (-)	- (-)	48 (24)	165-170 (80-85)

- *Note 1: Feras Alshaker has been on temporary promotion since 1 October 2021. His full year basic equivalent salary for 2021-22 was in the range £120,000 - £125,000.*

- *Note 2: Dan Brown left ORR on 31 March 2022.*
- *Note 3: Will Godfrey joined ORR on 6 June 2022. His full-year basic equivalent salary for 2022-23 was in the range £125,000 - £130,000.*
- *Note 4: Freya Guinness left ORR on 18 April 2021. Her full year basic equivalent salary was in the range £135,000 - £140,000.*
- *Note 5: Vinita Hill joined ORR on 28 September 2021. Her full year basic equivalent salary for 2021-22 was in the range £120,000 - £125,000.*
- *Note 6: Juliet Lazarus left ORR on 19 August 2021. She worked part-time hours. Her full year basic equivalent salary was in the range £135,000 - £140,000.*
- *Note 7: Graham Richards was seconded to the Great British Railways Transition Team from 1 October 2021 to 30 November 2022 and his salary was recovered accordingly. His full year basic equivalent salary for 2022-23 is in the range £130,000 - £135,000 and £125,000 to £130,000 for 2021-22.*
- *Note 8: Liz Thornhill joined ORR on 4 January 2022. Her full-year basic equivalent salary for 2021-22 was in the range £115,000 - £120,000.*
- *Note 9: Stephanie Tobyn was on temporary promotion from 20 September 2021. She was permanently appointed to the role from 25 July 2022. Her full year basic equivalent salary for 2021-22 was in the range £120,000 - £125,000.*

Salary includes: gross salary, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, paid annual leave, and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by ORR and thus recorded in these accounts.

Bonus payments are based on performance levels attained and are made as part of the performance appraisal process. Bonuses reported in 2022-23 relate to performance in 2021-22 and comparative bonuses reported for 2021-22 relate to performance in 2020-21.

Benefits in kind comprise subsidised gym membership.

Pension benefits are shown under 'Pension entitlement for directors' and 'Fees for NEDs and independent members of the Audit and Risk Committee'. The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to the transfer of a pension right. No senior manager exercised the option to take extra salary to invest in a pension scheme of

their own choice rather than participate in a Civil Service pension. John Larkinson has a partnership pension. In 2022-23 employer contributions totalling £29,805 were made to the partnership pension provider for him (2021-22: £28,100). Will Godfrey also has a partnership pension. Since he joined ORR in 2022-23, employer contributions of £18,928 have been made for him (2021-22: £nil).

Fair pay disclosures (audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in ORR in the financial year 2022-23 was £175,000 - £180,000 (2021-22: £170,000 - £175,000). This was 3.1 times (2021-22: 3.1) the median remuneration of the workforce, which was £57,021 (2021-22: £55,361).

In 2022-23, no employees (2021-22: none) received remuneration in excess of the highest-paid director. Remuneration ranged from £14,837 to £163,991 (2021-22: £20,688 to £171,483).

Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

The following table shows the percentage change from the previous financial year for salaries and allowances and for performance pay and bonuses payable in respect of the highest paid director, based on the mid-point of the salary band.

Table 11: Percentage change in salaries and allowances and performance pay and bonuses for the highest paid director

Category	2022-23 (£)	2021-22 (£)	Change (%)
Salary and allowances	162,500	157,500	3

Category	2022-23 (£)	2021-22 (£)	Change (%)
Performance pay and bonuses	12,500	12,500	-

The following table shows the average percentage change from the previous financial year for salaries and allowances and for performance pay and bonuses in respect of all employees taken as a whole, excluding the highest paid director.

Table 12: Percentage change in salaries and allowances and performance pay and bonuses for all employees excluding the highest paid director

Category	2022-23 (£)	2021-22 (£)	Change (%)
Salary and allowances	55,239	56,006	(1)
Performance pay and bonuses	1,586	1,135	40

The following table shows the ratio between the highest paid director's total pay and benefits and the salary component of their total pay and benefits, and the lower quartile, median and upper quartile remuneration of our workforce.

Table 13: Ratio between the highest paid director compared to the workforce

13.1 25th percentile pay ratio

	2022-23	2021-22
Total pay and benefits (ratio)	4.2	4.2

	2022-23	2021-22
Total pay and benefits (£)	42,065	41,108
Salary (ratio)	4.3	4.4
Salary (£)	40,237	39,354

13.2 Median pay ratio

	2022-23	2021-22
Total pay and benefits (ratio)	3.1	3.1
Total pay and benefits (£)	57,021	55,361
Salary (ratio)	3.1	3.3
Salary (£)	55,989	53,111

13.3 75th percentile pay ratio

	2022-23	2021-22
Total pay and benefits (ratio)	2.6	2.6
Total pay and benefits (£)	67,261	65,698
Salary (ratio)	2.7	2.7
Salary (£)	65,933	62,998

Pension entitlement for directors (audited)

Table 14: Pension entitlement for directors

Directors	Accrued pension at pension age as at 31/3/23 (£000)	Real increase in pension at pension age (£000)	Cash Equivalent Transfer Value at 31/3/23 (£000)	Cash Equivalent Transfer Value at 31/3/22 (£000)	Real increase in CETV (£000)
John Larkinson [note 1] - Chief Executive	-	-	-	-	-

Directors	Accrued pension at pension age as at 31/3/23 (£000)	Real increase in pension at pension age (£000)	Cash Equivalent Transfer Value at 31/3/23 (£000)	Cash Equivalent Transfer Value at 31/3/22 (£000)	Real increase in CETV (£000)
Feras Alshaker - Director, Planning and Performance	10-15	2.5-5	132	100	18
Dan Brown - Director, Economics, Markets and Strategy	-	-	-	530	-
Will Godfrey [note 2] - Director, Economics, Finance and Markets	-	-	-	-	-
Russell Grossman [note 3] - Director,	60-65	-	1,291	1,278	(92)

Directors	Accrued pension at pension age as at 31/3/23 (£000)	Real increase in pension at pension age (£000)	Cash Equivalent Transfer Value at 31/3/23 (£000)	Cash Equivalent Transfer Value at 31/3/22 (£000)	Real increase in CETV (£000)
Communications					
Freya Guinness - Director, Corporate Operations and Organisational Development	-	-	-	619	-
Vinita Hill - Director, Corporate Operations and Organisational Development	35-40 plus a lump sum of 65-70	2.5-5 plus a lump sum of 0 – 2.5	678	568	43
Juliet Lazarus - General Counsel and Director of Competition	-	-	-	393	-

Directors	Accrued pension at pension age as at 31/3/23 (£000)	Real increase in pension at pension age (£000)	Cash Equivalent Transfer Value at 31/3/23 (£000)	Cash Equivalent Transfer Value at 31/3/22 (£000)	Real increase in CETV (£000)
Ian Prosser - Director, Railway Safety	45-50	2.5-5	858	761	43
Graham Richards [note 3] - Director	40-45	0-2.5	661	595	(2)
Liz Thornhill - General Counsel	25-30	0-2.5	271	237	14
Stephanie Tobyn - Director, Strategy, Policy and Reform	25-30	2.5-5	339	287	28

- *Note 1: John Larkinson opted to switch from a Civil Service pension to a partnership pension.*
- *Note 2: Will Godfrey was not a member of a Civil Service pension scheme during 2022-23.*
- *Note 3: Taking account of inflation, the CETV funded by the employer has decreased in real terms.*

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within ten years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report). All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% of pensionable earnings for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at

the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos, a member builds up a pension based on his or her pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is an occupational defined contribution pension arrangement which is part of Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill-health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages).

Further details about the Civil Service pension arrangements can be found at their website.

Some employees are covered by the provisions of the Railway Pension Scheme (RPS), which is contributory and funded. The scheme is a defined benefit scheme with obligations met by the RPS trustees. Details of the RPS scheme statements and other financial information can be found in the annual report and accounts of Railway Pensions Trustee Company Limited.

The former rail regulators' and a former Chair's pensions are by analogy with the Principal Civil Service Pension Scheme. During 2022-23 there were no active members (2021-22: no active members). The accruing cost of providing for the members' future benefits, which is based on

actuarial advice, is charged to the Statement of Comprehensive Net Expenditure. A provision for the expected future liabilities for the former rail regulators' and former Chair's pension scheme is disclosed as a liability on the Statement of Financial Position.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023-24 CETV figures.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It excludes increases due to inflation and contributions paid by the employee. It is calculated using common market valuation factors for the start and end of the period.

Payments to past Directors and compensation for loss of office (audited)

No compensation payments were made to past Directors on early retirement or for loss of office

(2021-22: none).

Fees of Non-Executive Board members and independent members of the Audit and Risk Committee (audited)

Table 15: Fees for NEDs and independent members of the Audit and Risk Committee for 2022-23 with comparatives for 2021-22 in brackets

NEDs and independent members	Fee range (£000)	Benefits in kind to nearest £100 [note 1] (£)	Pension benefits (£000)	Total (£000)
Declan Collier, Chair	80-85 (80-85)	- (-)	- (-)	80-85 (80-85)
Stephen Glaister (to 31 March 2022)	- (20-25)	- (-)	- (-)	- (20-25)
Bob Holland	20-25 (20-25)	3,200 (1,900)	- (-)	25-30 (20-25)
Justin McCracken	20-25 (20-25)	3,700 (1,500)	- (-)	25-30 (20-25)
Michael Luger (to 31 December 2021)	- (15-20)	- (1,000)	- (-)	- (15-20)
Anne Heal	20-25 (20-25)	100 (100)	- (-)	20-25 (20-25)

NEDs and independent members	Fee range (£000)	Benefits in kind to nearest £100 [note 1] (£)	Pension benefits (£000)	Total (£000)
Graham Mather (to 31 December 2021)	- (15-20)	- (-)	- (-)	- (15-20)
Madeleine Hallward	20-25 (20-25)	200 (100)	- (-)	20-25 (20-25)
Xavier Brice (from 17 January 2022)	20-25 (0-5)	600 (-)	- (-)	20-25 (0-5)
Daniel Ruiz (from 17 January 2022)	20-25 (0-5)	2,100 (100)	- (-)	20-25 (0-5)
Catherine Waller (from 17 January 2022)	20-25 (0-5)	1,700 (100)	- (-)	20-25 (0-5)
Nick Bateson [note 2] (from 1 October 2021)	0-5 -	- (-)	- (-)	0-5 (-)
Rodney Norman [note 3] (to 30 September 2021)	- (0-5)	- (-)	- (-)	- (0-5)

- *Note 1: Benefits in kind are solely in relation to home to office travel.*
- *Note 2: independent member of the Audit and Risk Committee. Nick Bateson waived his fee until September 2022.*
- *Note 3: independent member of the Audit and Risk Committee.*

Non-executive directors and independent members of the Audit and Risk Committee and Highways Committee are entitled to receive reimbursement of expenses incurred in relation to their duties. ORR meets the cost of the tax due on these taxable benefits. The only benefits in kind for non-executive directors and independent committee members are travel arrangements.

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