

Date: 6 July 2022

Item: Performance Reviews 2021/22

This paper will be considered in public

1 Summary

- 1.1 This paper seeks the Committee's approval for performance ratings in respect of the Commissioner, Chief Officers and specific Director roles in relation to the overall performance delivery for the year ended 31 March 2022 as measured against the TfL and delivery business scorecards.
- 1.2 The paper sets out the potential awards to the Executive Committee members if the Financial Overlay Trigger is met, calculated on the 2021/22 scorecard results and individual performance ratings.
- 1.3 At its 10 November 2021 meeting, the Committee agreed to the reintroduction of performance award schemes for the 2021/22 and 2022/23 performance years with an additional financial overlay trigger metric of achieving financial sustainability by April 2023. This means that individual performance awards will be calculated in line with the normal annual performance cycle and recorded for 2021/22 and 2022/23, but payment can only be considered when all performance conditions have been met, including the Financial Overlay Trigger.
- 1.4 A paper is included on the Part 2 agenda which contains supplementary information that is exempt from publication by virtue of paragraphs 1, 3 and 5 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to individuals, the business affairs of TfL and where a claim to legal professional privilege could be made. Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.

2 Recommendation

- 2.1 **The Committee is asked to note the paper and the exempt supplementary information on Part 2 of the agenda:**
 - (a) **agree the individual performance rating for the Commissioner;**
 - (b) **agree the individual performance ratings for the Chief Officers and Directors specified under the Committee's Terms of Reference against the 2021/22 performance delivery outturn;**
 - (c) **note the potential awards payable to the Commissioner, Chief Officers and Directors specified under the Committee's Terms of Reference if the financial overlay trigger is met; and**
 - (d) **note that the same principles will apply in relation to performance awards for other eligible TfL staff.**

3 Background – Scorecard achievement and how performance awards are calculated

- 3.1 An earlier paper on the agenda, 'Scorecards 2021-22', sets out in detail the scorecard outturn for TfL and the delivery businesses.
- 3.2 The total actual score against the TfL scorecard is 72.0 per cent. For the purposes of performance award calculations, we round the actual scorecard score down to the nearest whole number.

Summary of Scorecard Achievement Rates

Table 1: A summary of the 2021-22 scorecard achievement

Scorecard	Actual Outcome %	Rounded Outcome % for Performance Award Calculations
London Underground	76.8	76
Surface Transport	79.2	79
Commercial Development	72.0	72
Major Projects	64.3	64
TfL	72.0	72

How performance awards are calculated: Commissioner, Chief Officers and Directors

- 3.3 For the years 2021/22 and 2022/23 there are three performance elements being used to determine performance award outcomes:
- (a) how TfL performs against the critical priorities set out in the business scorecards;
 - (b) how individuals personally contribute to these, as defined by a performance rating; and
 - (c) the 'financial overlay trigger'.
- 3.4 The 'financial overlay trigger' is a separate overriding financial performance condition (independent of the annual scorecard and individual performance rating conditions) built into our performance award schemes for 2021/22 and 2022/23.
- 3.5 It requires TfL to deliver its business plan to become financially sustainable, free of 'extraordinary Government funding' for revenue support by 1 April 2023.
- 3.6 The 'financial overlay trigger' has no bearing on the quantum of the annual performance award budgets but acts as a trigger that determines whether performance awards in respect of 2021/22 and 2022/23 can be paid.
- 3.7 There is no entitlement to receive payment for any award under the scheme for 2021/22 and 2022/23 until all performance conditions have been met, including the financial overlay trigger. In this respect there is no deferral of awards from the annual scorecard calculations because awards cannot become due until achievement of the financial overlay trigger is confirmed.

- 3.8 If TfL achieves the 'financial overlay trigger' by 1 April 2023, and has successfully delivered against its business scorecards for 2021/22 and 2022/23, then we would pay performance awards for both performance years during 2023/24.
- 3.9 The performance awards for the Commissioner, Chief Officers and Directors are determined via a combination of TfL-wide, delivery business and individual performance measures. This paper is concerned primarily with the calculation of payments for the Commissioner, Chief Officers and Directors specified under the Committee's Terms of Reference, but also sets out the broad performance related payments for other staff across TfL outlined in section 7.
- 3.10 Depending on the business area worked in, either the TfL scorecard result alone or a combination of the TfL scorecard and the delivery business scorecard result determines the budget available for performance awards. Individual contribution, measured in the form of a personal performance rating, then determines the actual percentage performance award received from the available budget.
- 3.11 Each level of performance rating has an assigned multiplier. The individual performance award calculation is made by taking the budget percentage figure (as determined by the scorecard result) and then applying the multiplier to it which determines the actual percentage of base salary received as a performance award.
- 3.12 At the start of each performance year, a matrix is used to illustrate the potential level of performance award budget available aligned to each level of performance scorecard result (in increments of one per cent); and in addition, the percentage of individual award that will be delivered according to the relevant performance rating and associated multiplier for each level of budget. Publishing this at the beginning of the year allows a clear line of sight between business performance outturn, individual performance contribution and the potential level of reward.
- 3.13 Modelling a combination of the anticipated performance rating distribution, average salaries by payband level and headcount allow the formulation of matrices as described above to a good level of accuracy at the start of the performance year to ensure that the total spend on performance awards would be delivered within budget. However, at year-end after scorecards and personal performance ratings have final approval the model is re-checked to ensure that the performance multipliers do actually deliver performance awards within budget parameters allowing adjustments to be made to the rating multipliers if needed. This negates any risk of overspend and also ensures alignment of the scorecard outcome and interaction with reward in the form of a performance award.
- 3.14 A separate matrix is drafted at the start of the performance year for each of the different levels of scheme based on the maximum performance award opportunity (Commissioner, Chief Officers, Directors and Senior Managers).
- 3.15 Chief Officers who lead one of our four delivery businesses have their performance award budget determined by a combination of the TfL scorecard result and their delivery business scorecard result. The calculation method uses the same matrix for both scorecard results to produce a weighted average score 60:40; TfL scorecard: delivery business.

- 3.16 For all levels of scheme there is currently a minimum TfL scorecard threshold, of 60 per cent, below which no performance award budget is released. This is regardless of the delivery business scorecard result.
- 3.17 The same threshold of 60 per cent is set for the delivery business scorecards with the exception of the London Underground delivery business that has a minimum threshold of 55 per cent for 2021/22.
- 3.18 In a situation where the TfL scorecard result is above the minimum 60 per cent threshold but the delivery business scorecard is below that level, those in the delivery businesses will still receive an element of award for the TfL scorecard result.

4 Chief Officer Performance Awards 2021/22

- 4.1 The potential maximum performance award that Chief Officers can achieve is **30 per cent** of base salary.
- 4.2 The structure for Chief Officer Performance Awards is set out in Table 2 below.

Table 2: Structure for Chief Officers Performance Awards 2021/22

Business Area	TfL Scorecard Weighting %	Delivery Business Scorecard Weighting %	TfL Scorecard Minimum % Performance Threshold	Delivery Business Scorecard Minimum % Performance Threshold	Maximum Performance Award %
Delivery Business	60%	40%	60%	60% (55% for LU)	30%
Professional Services	100%	-	60%	-	30%

- 4.3 The Commissioner’s commentary for each Chief Officer with regard to their individual performance and the proposed performance rating are set out in the supplementary paper on Part 2 of the agenda.

5 Performance Awards for Directors under the Remuneration Committee’s Terms of Reference 2021/22

- 5.1 The potential maximum performance award that Directors can achieve is **20 per cent** of base salary.

5.2 The structure for Director Performance Awards is set out in Table 3 below.

Table 3: Structure for Director Performance Awards 2021/22

Business Area	TfL Scorecard Weighting %	Delivery Business Scorecard Weighting %	TfL Scorecard Minimum % Performance Threshold	Delivery Business Scorecard Minimum % Performance Threshold	Maximum Performance Award %
Delivery Business	60%	40%	60%	60% (55% for LU)	20%
Professional Services	100%	-	60%	-	20%

5.3 The Commissioner’s commentary for Directors under the Remuneration Committee’s Terms of Reference with regard to their individual performance and the proposed performance rating is set out in the supplementary paper on Part 2 of the agenda.

6 Commissioner’s Performance Award 2021/22

6.1 The potential maximum performance award that the Commissioner can achieve is **50 per cent** of base salary.

6.2 The structure for the Commissioner’s Performance Award is set out in Table 4 below.

Table 4: Structure for the Commissioner’s Performance Award 2021/22

Business Area	TfL Scorecard Weighting %	Delivery Business Scorecard Weighting %	TfL Scorecard Minimum % Performance Threshold	Delivery Business Scorecard Minimum % Performance Threshold	Maximum Performance Award %
Professional Services	100%	-	60%	-	50%

7 Performance Awards for Directors, Senior Managers and Others

7.1 Arrangements for employees below Chief Officer level are set out below and are agreed by the Commissioner.

7.2 **Directors:** Arrangements for Directors not covered by the Committee’s Terms of Reference are the same as for those that are covered, as set out in 5.1 and Table 3 above.

7.3 **Senior managers:** Arrangements for Senior Managers (Payband 4 and 5) use exactly the same methodology as for Directors, Chief Officers and the Commissioner described in 3.3 – 3.18 above. However, the maximum performance award opportunity is **15 per cent of base salary**.

Table 5: Structure for Senior Manager (Payband 4 and 5) Performance Awards 2021/22

Business Area	TfL Scorecard Weighting %	Delivery Business Scorecard Weighting %	TfL Scorecard Minimum % Performance Threshold	Delivery Business Scorecard Minimum % Performance Threshold	Maximum Performance Award %
Delivery Business	60%	40%	60%	60% (55% for LU)	15%
Professional Services	100%	-	60%	-	15%

7.4 **Non-operational employees in other grades:** Performance is reflected by a combination of rises to base salary and/or lump sum performance awards (Performance Related Pay and Pay for Performance).

List of appendices to this report:

None

Supplementary information is provided in a paper on Part 2 of the agenda.

List of Background Papers:

None

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