

# Remuneration Committee

**Date:** 12 June 2023



**Item:** Performance Awards 2022/23

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## 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 2023 as measured against the TfL and divisional scorecards.
- 1.2 At its meeting on 10 November 2021, 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 for both performance years when all performance conditions have been met.
- 1.3 The paper sets out the proposed awards to the Executive Committee members now that the Financial Overlay Trigger has been confirmed as met, calculated on the 2022/23 scorecard results and individual performance ratings.
- 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 Recommendations

- 2.1 **The Committee is asked to note the paper and the supplementary information on Part 2 of the agenda and:**
  - (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 2022/23 performance delivery outturn;
  - (c) note the potential awards payable to the Commissioner, Chief Officers and Directors specified under the Committee's Terms of reference; 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 2022/23’, sets out in detail the scorecard outturn for TfL and the divisions.
- 3.2 The total actual score against the TfL Scorecard is 64.0 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 2022/23 scorecard achievement**

Scorecard	Actual Outcome %	Rounded Outcome % for Performance Award Calculations
Operations	68.4	68
Capital	81.9	81
TTLP	64.5	64
<b>TfL</b>	<b>64.0</b>	<b>64</b>

#### 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 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.
- 3.6 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. 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.
- 3.7 Successful delivery of the ‘financial overlay trigger’ by 1 April 2023 and delivery of business scorecards for 2021/22 and 2022/23 then performance awards for both performance years during 2023/24 would be payable for eligible individuals.
- 3.8 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 can be calculated in line with the standard methodology set out below.

- 3.9 The performance awards for the Commissioner, Chief Officers and Directors are determined via a combination of TfL-wide, divisional 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 division worked in, either the TfL Scorecard result alone, or a combination of the TfL Scorecard and the divisional 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 divisions have their performance award budget determined by a combination of the TfL Scorecard result and their divisional scorecard result. The calculation method uses the same matrix for both scorecard results to produce a weighted average score 60:40; TfL Scorecard: division.
- 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 divisional scorecard result.
- 3.17 The same threshold of 60 per cent is set for the divisional scorecards.

- 3.18 In a situation where the TfL Scorecard result is above the minimum 60 per cent threshold but the divisional scorecard is below that level, those in the division will still receive an element of award for the TfL Scorecard result.

#### 4 Chief Officer Performance Awards 2022/23

- 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 2022/23**

Division	TfL Scorecard Weighting %	Divisional Scorecard Weighting %	TfL Scorecard Minimum % Performance Threshold	Divisional Scorecard Minimum % Performance Threshold	Maximum Performance Award %
Operations, Capital, TTLP	60%	40%	60%	60%	30%
All other divisions	100%	-	60%	-	30%

- 4.3 The Commissioner's commentary for each Chief Officer regarding 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 2022/23

- 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 2022/23**

Division	TfL Scorecard Weighting %	Divisional Scorecard Weighting %	TfL Scorecard Minimum % Performance Threshold	Divisional Scorecard Minimum % Performance Threshold	Maximum Performance Award %
Operations, Capital, TTLP	60%	40%	60%	60%	20%
All other divisions	100%	-	60%	-	20%

- 5.3 The Commissioner's commentary for Directors under the Remuneration Committee's Terms of Reference regarding 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 2022/23

- 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 2022/23**

Division	TfL Scorecard Weighting %	Divisional Scorecard Weighting %	TfL Scorecard Minimum % Performance Threshold	Divisional Scorecard Minimum % Performance Threshold	Maximum Performance Award %
TfL	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 2022/23**

Division	TfL Scorecard Weighting %	Divisional Scorecard Weighting %	TfL Scorecard Minimum % Performance Threshold	Divisional Scorecard Minimum % Performance Threshold	Maximum Performance Award %
Operations, Capital, TTLP*	60%	40%	60%	60%	15%
All other divisions	100%	-	60%	-	15%

\*Those employees in the TTLP Property Development Performance Award Scheme are weighted 20 per cent TfL Scorecard and 80 per cent TTLP scorecard and use the same scheme design as other Senior Managers

- 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:

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

### List of Background Papers:

Remuneration Committee Chair's Action Paper on Performance Awards and the Financial Overlay Trigger, issued on 11 May and approved on 15 May 2023

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