

Remuneration Committee

Date: 12 June 2023

Item: Senior Management Performance Awards 2023/24

This paper will be considered public

1 Summary

- 1.1 This paper sets out a proposal to operate performance award schemes for senior management (Commissioner, Chief Officer, Director and payband 4 and 5 Senior Managers) for the performance year 2023/24 with the continuation of a financial criteria.
- 1.2 Performance awards are a critical component of TfL's total remuneration proposition for senior management supporting TfL's ability to attract and retain critical talent within the business.
- 1.3 TfL's performance award schemes also have an important role to play in delivering high performance across TfL. Through the direct relationship with business performance (as captured in our scorecards) the schemes serve to highlight the main priorities in delivering the Mayor's Transport Strategy and unify senior management in delivering our critical goals. They also ensure that reward is only delivered that is commensurate with the level of success achieved and therefore provide a fair and value for money approach to reward.

2 Recommendations

- 2.1 **The Committee is asked to note the paper and:**
 - (a) **endorse the proposal to operate performance award schemes for senior management for 2023/24 with the continuation of a financial criteria; and**
 - (b) **note the proposal to operate performance award schemes for the performance year 2023/24 for TfL payband 2 and 3 employees under the TfL Pay for Performance framework with the continuation of a financial criteria.**

3 Background

- 3.1 In October 2021, the Committee approved the implementation of performance award arrangements for 2021/22 and 2022/23 with an amended scheme design that ensured compliance with the Government's funding conditions.
- 3.2 TfL's annual performance award schemes continued in their current format with performance award budgets assessed for a one-year performance period determined by annual business scorecard results and with individual awards

calculated by linking performance ratings to a multiplier used against the calculated budget.

- 3.3 Payment of the recorded annual performance award amounts for 2021/22 and 2022/23 is then made further dependent upon achievement of a 'Financial Overlay Trigger' that acts as an integral part of the metrics within each annual scheme.

4 Proposed Annual Scheme Design 2023/24

- 4.1 It is proposed that for the 2023/24 performance year the performance award schemes continues to operate with a revised financial criteria.
- 4.2 The proposed financial criteria is to achieve operating breakeven (ie a TfL operating surplus >£0) for 2023/24, without the application of the £565m Department for Transport base funding provided by the current funding settlement to the operating account'.
- 4.3 This is a metric on the TfL scorecard for 2023/24 (number 14 within the Finance section) with performance reported each period and updated on TfL's intranet, so will be evidenced by the achievement in the 2023/24 scorecard results.
- 4.4 As such, will need to achieve this financial criteria before any budgets can be determined by annual scorecard results with individual awards calculated by linking performance ratings to a multiplier used against the calculated budget.
- 4.5 The scorecard thresholds will remain as below:
- (a) 60 per cent – minimum threshold
 - (b) 75 per cent – on target threshold
 - (c) 100 per cent – maximum
- 4.6 All scheme documents and business rules will be updated to reference the financial criteria for 2023/24.
- 4.7 We also intend that all our other performance award arrangements including individual performance arrangements and performance awards for payband 2 and 3 under the Pay for Performance framework would have the same financial criteria in line with our senior management schemes.
- 4.8 Indicative total annual scheme costs for all senior management (inclusive of the TTLP Property Development scheme), modelled against the current headcount, total salary cost and anticipated individual performance rating distributions are set out below. Actual scheme costs will be dependent on the variable elements outlined. These costs are exclusive of Employer's National Insurance contributions.
- (a) £10.5m at 75 per cent scorecard achievement which would represent an 'on target' level of performance;

(b) £11.9m at 85 per cent scorecard achievement which would represent a 'stretch' level of performance; and

(c) £13.6m at 100 per cent (maximum) scorecard achievement.

List of appendices to this report:

None

List of Background Papers:

None

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