

Date: 29 February 2024

Item: Performance Awards 2024/25

This paper will be considered in public

1 Summary

- 1.1 This paper sets out a proposal to continue to operate performance award schemes for senior management (Commissioner, Chief Officer, Director and payband 4 and 5 Senior Managers) for the performance year 2024/25.
- 1.2 This paper sets out the approach agreed by the Executive Committee in relation to scorecard and performance award alignment for Chief Officers and Directors for use in the performance year 2024/25 and thereafter.
- 1.3 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.
- 1.4 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 provides a fair and value for money approach.

2 Recommendation

- 2.1 **The Committee is asked to note the paper and:**
 - (a) **endorse the proposal to continue to operate performance award schemes for senior management for 2024/25 with the continuation of a financial criterion;**
 - (b) **note how Chief Officer and Director performance awards will be aligned to a single scorecard approach (TfL scorecard) for the performance year 2024/2025; and**
 - (c) **note the proposal to continue to operate performance award schemes for the performance year 2024/25 under the TfL Pay for Performance framework with the continuation of a financial criterion.**

3 Background

- 3.1 TfL's annual performance award schemes continue 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.
- 3.2 For the performance year 2024/25 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 criterion'.
- 3.3 The 'financial criterion' is a separate overriding financial performance condition (independent of the annual scorecard and individual performance rating conditions) built into our performance award schemes going forward.
- 3.4 The 'financial criterion' has no bearing on the quantum of the annual performance award budgets but acts as a trigger that determines whether performance awards can be paid.
- 3.5 If TfL achieves the 'financial criterion' by 1 April 2025 and has successfully delivered against the TfL scorecard then we would pay performance awards for the performance year during 2025/26.

4 Proposed Annual Scheme Design 2024/25

- 4.1 It is proposed that for the 2024/25 performance year, the performance award schemes continue to operate with a financial criterion. For 2023/24 the requirement was for TfL to achieve an operating surplus of more than £0. The financial criterion for 2024/25 will be set once the scorecards for 2024/25 are finalised.
- 4.2 Previously, depending on the business area worked in, either the TfL scorecard result alone or a combination of the TfL scorecard and the divisional scorecard result determined the budget available for performance awards.
- 4.3 Going forward, the TfL Executive Committee agreed, at Chief Officer and Director levels only, the divisional scorecard element will be removed and the single TfL scorecard will be used with all performance awards calculated 100 per cent on the TfL scorecard result. Individual contribution, measured in the form of a personal performance rating, then determines the actual percentage performance award received from the available budget. For Senior Managers the performance award will still follow the previous methodology for those in

certain business areas with a 60 per cent TfL scorecard and 40 per cent divisional scorecard weighting.

- 4.4 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.
- 4.5 All scheme documents and business rules will be updated to reference the changes to scorecard alignment and the financial criterion for 2024/25.
- 4.6 We also intend that all our other performance award arrangements including individual performance arrangements and performance awards under the Pay for Performance framework continue to have the same financial criterion in line with our senior management schemes.

List of appendices to this report:

None

List of Background Papers:

None

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