

**Date:** 29 February 2024

**Item:** Performance Awards 2023/24

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## **This paper will be considered in public**

### **1 Summary**

- 1.1 TfL operates performance award schemes for many of its staff, as part of its overall reward arrangements, which are designed to enable the recruitment and retention of staff with the skills and experience required to deliver London's public transport network, whilst recognising TfL's status as a public body.
- 1.2 This Committee has responsibilities in relation to the design and approval of performance awards in respect of the Commissioner, Chief Officers and specific Director roles (as covered by the Committee's Terms of Reference). Arrangements for other TfL staff (including Directors and Senior Managers) are reported to the Committee for information.
- 1.3 Decisions on whether to make performance awards, and if so their quantum, depend on TfL's overall financial performance, TfL's wider performance as measured against the TfL and divisional scorecards, and individual contributions. Necessarily, these decisions can therefore only be taken after the end of the relevant financial/performance year, in this case the year ending 31 March 2024.
- 1.4 The consideration and payment of the performance awards for the Commissioner and Chief Officers needs to be brought forward for 2023/24 to ensure that appropriate oversight and governance is applied by the existing Remuneration Committee ahead of the Mayoral election (2 May 2024). This advance consideration was similarly followed in 2020 and is what applies in the final year of a mayoralty.
- 1.5 With no meeting scheduled during April 2024, which in any event forms part of the pre-election period when public meetings should not be held, the Committee is asked to authorise the Chair of the Committee, following consultation with Committee Members who are available to comment, to approval any performance awards. Any payments would only be made in accordance with the criteria previously agreed by the Committee.
- 1.6 A paper is included on the Part 2 agenda which contains supplementary information that is exempt from publication by virtue of paragraphs 1 and 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to individuals and the business affairs of a person or TfL. 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 exempt supplementary information on Part 2 of the agenda and:**

- (a) authorise the Chair of the Committee, following consultation with available Committee Members, to approve the performance awards for 2023/24 for the Commissioner, Chief Officers and Directors specified under the Committee's Terms of Reference, subject to the final validated 2023/24 TfL and divisional scorecards outturn; and**
- (b) note that the same principles will apply in relation to performance awards for other eligible TfL staff.**

## **3 Background and Summary of Scorecard Achievement**

3.1 Final scorecard results will be known following the performance year-end in April 2024. Ordinarily, Period 10 (P10) forecasts are published; however, current challenges with some of the scorecard measures mean that the P10 forecasts are unlikely to be as reliable an indicator of the year end position as in previous years and have not, therefore, been published. Early indicators are, instead, included in the related paper on Part 2 of the agenda. The finalised scorecard results to be agreed by the Audit and Assurance Committee will be used to calculate the actual value of performance awards payable as per an end of year validation process as explained in Section 4.

3.2 The performance awards for the Commissioner, Chief Officers and Directors are determined via a combination of TfL-wide, division 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.

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

3.4 For the year 2023/24 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.

3.5 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 for 2023/24 and all performance award schemes going forward.

3.6 It requires TfL to achieve operating breakeven (i.e. 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.

- 3.7 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 in respect of 2023/24.
- 3.8 If TfL achieves the financial criterion by 1 April 2024 and has successfully delivered against its business scorecards for 2023/24, we would pay performance awards during 2024/25.
- 3.9 Chief Officers who lead one of our two divisions (Capital & Operations) have their performance award budget determined by a combination of the TfL scorecard result and their division scorecard result. The calculation method uses the same matrix for both scorecard results to produce a weighted average score 60:40; TfL scorecard: division. This is expected to be the final year of a dual scorecard approach for Chief Officers.
- 3.10 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 division scorecard result.
- 3.11 The same threshold of 60 per cent is set for the division scorecards.
- 3.12 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.
- 3.13 For performance years 2023/24 onwards, Directors and Senior Manager performance award budgets will be based on local Chief Officer budgets.
- 3.14 Appendices 1 and 2 set out how performance award schemes are designed and calculated.

## **4 End of Year Validation Process**

- 4.1 The consideration and payment of the performance awards for the Commissioner and Chief Officers has been brought forward for 2024 to ensure that appropriate oversight and governance is applied by the existing Remuneration Committee before the Mayoral election (2 May 2024).
- 4.2 The timing described below mirrors what was followed in 2020 and is what applies in the final year of a mayoralty.
- 4.3 To facilitate an earlier governance process, year-end performance scorecard outturn results are ordinarily forecast based on P10 actual results. An end of year validation process will then take place based on the final results at year-end to ensure that any dependent performance payments are kept accurate. That validation process is particularly important this year as the P10 results are not considered to be as reliable an indicator of year-end results as in previous years.
- 4.4 The Chair of the Audit and Assurance Committee, in consultation with available members of the Committee will exercise Chair's Acton to approve the scorecard results by the end of April 2024.
- 4.5 To ensure final scorecard outturn results are accurate, an end of year validation process will be undertaken immediately at year-end in April.

- 4.6 Any scorecard results that change following this process will result in a recalculation of the performance award value due, in line with the percentage stated in the published matrices.
- 4.7 This process will be managed centrally by the Reward team, with Chief Officers informed of the value they will receive when the performance award outcome letters are distributed to them.
- 4.8 Timelines for the validation (true-up) process are indicated in Appendix 3.

**List of appendices to this report:**

Appendix 1: Performance Award Design 2023-24  
Appendix 2: The Performance Award Matrix Explained  
Appendix 3: End of year validation process timelines

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

**List of Background Papers:**

None

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## Appendix 1

### Performance Award Design 2023-24

#### Chief Officer Performance Awards 2023-24

The potential maximum performance award that Chief Officers can achieve is 30 per cent of base salary. The structure for Chief Officer Performance Awards is set out below.

Business Area	TfL Scorecard Weighting %	Division Scorecard Weighting %	TfL Scorecard Minimum % Performance Threshold	Division Scorecard Minimum % Performance Threshold	Maximum Performance Award %
Operations, Capital and Places for London	60%	40%	60%	60%	30%
All Other Divisions	100%	-	60%	-	30%

#### Performance Awards for Directors under the Remuneration Committee's Terms of Reference 2023-24

The potential maximum performance award that Directors can achieve is 20 per cent of base salary. The structure for Director Performance Awards is set out below.

Business Area	TfL Scorecard Weighting %	Division Scorecard Weighting %	TfL Scorecard Minimum % Performance Threshold	Division Scorecard Minimum % Performance Threshold	Maximum Performance Award %
Operations, Capital and Places for London	60%	40%	60%	60%	20%
All Other Divisions	100%	-	60%	-	20%

#### Commissioner's Performance Award 2023-24

The potential maximum performance award that the Commissioner can achieve is 50 per cent of base salary. The structure for the Commissioner's Performance Award is set out below.

Business Area	TfL Scorecard Weighting %	Division Scorecard Weighting %	TfL Scorecard Minimum % Performance Threshold	Division Scorecard Minimum % Performance Threshold	Maximum Performance Award %
All Other Divisions	100%	-	60%	-	50%

#### Performance Awards for Directors, Senior Managers and Others

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

**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 above.

**Senior managers:** Arrangements for Senior Managers (Payband 4 and 5) use exactly the same methodology as for Directors, Chief Officers and the Commissioner, however, the maximum performance award opportunity is 15 per cent of base salary. Performance Award matrices will be set at a Chief Officer budget level in the same way as for Directors.

<b>Business Area</b>	<b>TfL Scorecard Weighting %</b>	<b>Division Scorecard Weighting %</b>	<b>TfL Scorecard Minimum % Performance Threshold</b>	<b>Division Scorecard Minimum % Performance Threshold</b>	<b>Maximum Performance Award %</b>
<b>Operations, Capital and Places for London</b>	60%	40%	60%	60%	15%
<b>All Other Divisions</b>	100%	-	60%	-	15%

**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).

## Appendix 2

### The Performance Award Matrix Explained

The Director Performance Award Matrix is used below to illustrate the underlying principles for how the matrix is used for all levels of senior management (from Payband 4 through to the Commissioner).

Examples from the Annual Performance Award Scheme 2022/23 matrix

- 1 A minimum scorecard threshold of 60 per cent is set – this delivers the minimum percentage budget of 12 per cent.
- 2 Each performance rating has a multiplier associated with it. The multiplier is applied against the budget amount to calculate the individual percentage award.
- 3 A scorecard result of 75 per cent has been set as the 'on target' level – this delivers a budget of 15 per cent. An individual with a performance rating of 'I am advancing' would receive a fixed performance award of 16.1 per cent, while an individual rated as 'I am achieving' would receive a performance award of 10.1 per cent.
- 4 Above 75 per cent represents 'stretch performance'. The budget increases in line with the increased scorecard result to a maximum budget of 20 per cent at a scorecard result of 100 per cent.

Director		Percentage award by performance rating			
Scorecard result	% Budget	I am being supported	I am achieving	I am advancing	I am exceeding
		x0.27	x0.67	x1.07	x1.25
60	12.00	3.2	8.0	12.8	15.0
61	12.20	3.3	8.2	13.1	15.2
62	12.40	3.3	8.3	13.3	15.5
63	12.60	3.4	8.4	13.5	15.8
64	12.80	3.5	8.6	13.7	16.0
65	13.00	3.5	8.7	13.9	16.3
66	13.20	3.6	8.8	14.1	16.5
67	13.40	3.6	9.0	14.3	16.8
68	13.60	3.7	9.1	14.6	17.0
69	13.80	3.7	9.2	14.8	17.3
70	14.00	3.8	9.4	15.0	17.5
71	14.20	3.8	9.5	15.2	17.8
72	14.40	3.9	9.6	15.4	18.0
73	14.60	3.9	9.8	15.6	18.3
74	14.80	4.0	9.9	15.8	18.5
75	15.00	4.1	10.1	16.1	18.8
76	15.20	4.1	10.2	16.3	19.0
77	15.40	4.2	10.3	16.5	19.3
78	15.60	4.2	10.5	16.7	19.5
79	15.80	4.3	10.6	16.9	19.8
80	16.00	4.3	10.7	17.1	20.0
81	16.20	4.4	10.9	17.3	20.0
82	16.40	4.4	11.0	17.5	20.0
83	16.60	4.5	11.1	17.8	20.0
84	16.80	4.5	11.3	18.0	20.0
85	17.00	4.6	11.4	18.2	20.0
86	17.20	4.6	11.5	18.4	20.0
87	17.40	4.7	11.7	18.6	20.0
88	17.60	4.8	11.8	18.8	20.0
89	17.80	4.8	11.9	19.0	20.0
90	18.00	4.9	12.1	19.3	20.0

## Appendix 3

### Proposed end of year validation process timelines

Activity	Date	Accountability
Confirmation of performance ratings for Chief Officers	1 March to 20 April	Commissioner
Final scorecard results confirmed	By 26 April	Audit & Assurance Committee
Recalculate performance awards in line with matrix & share results with Remuneration Committee	26 April	Reward
Remuneration Committee Chair delegated decision (in consultation with available members) to approve recalculated performance awards	By 10am 30 April	Remuneration Committee
Mail merge and distribute pay review letters	30 April – 1 May	Reward
Payment by BACS transfer	By 2 May	Payroll