Agenda

Meeting: Remuneration Committee

Date: Tuesday 18 June 2019

Time: 11.30am

Place: Conference Rooms 1 and 2, Ground Floor, Palestra, 197 Blackfriars Road, London, SE1 8NJ

Members

Ben Story (Chair)   Heidi Alexander
Kay Carberry CBE (Vice-Chair)   Ron Kalifa OBE

Copies of the papers and any attachments are available on tfl.gov.uk How We Are Governed.

This meeting will be open to the public, except for where exempt information is being discussed as noted on the agenda. There is access for disabled people and induction loops are available. A guide for the press and public on attending and reporting meetings of local government bodies, including the use of film, photography, social media and other means is available on www.london.gov.uk/sites/default/files/Openness-in-Meetings.pdf.

Further Information

If you have questions, would like further information about the meeting or require special facilities please contact: Shamus Kenny, Head of Secretariat; telephone: 020 7983 4913 email: ShamusKenny@tfl.gov.uk.

For media enquiries please contact the TfL Press Office; telephone: 0845 604 4141; email: PressOffice@tfl.gov.uk

Howard Carter, General Counsel
Monday 10 June 2019

Agenda
Remuneration Committee
Tuesday 18 June 2019

1   Apologies for Absence and Chair's Announcements

2   Declarations of Interests

General Counsel

Members are reminded that any interests in a matter under discussion must be declared at the start of the meeting, or at the commencement of the item of business.

Members must not take part in any discussion or decision on such a matter and, depending on the nature of the interest, may be asked to leave the room during the discussion.

3   Minutes of the Meeting of the Remuneration Committee held on 23 January 2019 (Pages 1 - 6)

General Counsel

The Committee is asked to approve the minutes of the meeting of the Committee held on 23 January 2019 and authorise the Chair to sign them.

4   Matters Arising, Actions List and Use of Chair's Action (Pages 7 - 10)

General Counsel

The Committee is asked to note the updated actions list, the use of Chair's Action to approve salaries of £100,000 and above and the revised terms of reference of the Committee approved by the Board on 22 May 2019.

5   Pay Gap Analysis Update (Pages 11 - 16)

Chief People Officer

The Committee is asked to note the paper.

6   Commercial Development Performance Management System (Pages 17 - 20)

Chief People Officer

The Committee is asked to note the paper and the revised Commercial Development Performance Award Scheme.

7   2018-19 Scorecards (Pages 21 - 28)

Commissioner

The Committee is asked to note the 2018/19 TfL Scorecard outturn as reviewed by the Audit and Assurance Committee.

8   Performance Awards 2018/19 (Pages 29 - 40)

Commissioner

The Committee is asked to agree the performance awards for the Commissioner and other roles specified in its terms of reference and note the overall level of performance awards for other staff.

9   Review of the First Year of Operation of the New TfL Performance Award Scheme for Senior Management (Pages 41 - 58)

Commissioner

The Committee is asked to discuss whether the new arrangement has delivered on the intended outcomes.

10   Member suggestions for future agenda discussions (Pages 59 - 62)

The Committee is asked to note the forward programme and is invited to raise any suggestions for future discussion items for the forward programme and for informal briefings.

11   Any Other Business the Chair Considers Urgent

The Chair will state the reason for urgency of any item taken.

12 Date of Next Meeting

Thursday 11 July 2019 at 10am

13 Exclusion of Press and Public

The Committee is recommended to agree to exclude the press and public from the meeting, in accordance with paragraph 3 of Schedule 12A to the Local Government Act 1972 (as amended), in order to consider the following items of business.

Agenda Part 2

Papers containing supplemental confidential or exempt information not included in the related item on Part 1 of the agenda.

14 Performance Awards 2018/19 (Pages 63 - 80)

Exempt supplementary information relating to the item on Part 1 of the agenda.

Transport for London

Minutes of the Remuneration Committee

**Conference Room 1, Palestra, 197 Blackfriars Road, London SE1 8NJ
10.00am, Wednesday 23 January 2019**

Members
Ben Story (Chair)
Kay Carberry CBE (Vice-Chair)
Heidi Alexander
Ron Kalifa OBE

Executive Committee
Mike Brown MVO   Commissioner
Staynton Brown   Director of Diversity, Inclusion and Talent
Howard Carter   General Counsel
Tricia Wright   Chief People Officer

Staff
Stephen Field   Director of Compensation and Benefits
Shamus Kenny   Head of Secretariat

Also In attendance
Stuart Hyland   Aon (for Minute 06/01/19)
Andrew Page   Aon (for Minute 06/01/19)

01/01/19   Apologies for Absence and Chair's Announcements

As all Members were present, there were no apologies for absence.

02/01/19   Declarations of Interests

Members confirmed that their declarations of interests, as published on tfl.gov.uk, were up to date and there were no interests that related specifically to items on the agenda.

03/01/19   Minutes of the Meeting of the Remuneration Committee held on 7 November 2018

The minutes of the meeting held on 7 November 2018 were approved as a correct record and signed by the Chair.

04/01/19   Matters Arising, Actions List and Use of Delegated Authority

Chair's Action had been used on two occasions to approve salaries of £100,000 or more for 14 individuals.

The Committee noted the Actions List and use of delegated authority.

05/01/19   Pay Gap Analysis

Tricia Wright and Staynton Brown introduced the paper, which provided an update on TfL's pay gap analysis, with a particular focus on gender and ethnicity, based on data from the 12 month period 1 April 2017 to 31 March 2018. The summary reports, appended to the paper, had been published on the website on 3 January 2019. Full reports would be available later in the year.

Staynton Brown explained that the picture was complex and the headline figures masked the good progress on making TfL's staff more representative of the community it served. For the publication of the full reports, TfL would undertake further work to clearly explain the figures in context and celebrate success as well as reiterating its commitment to do more to address pay gaps.

Members noted that while there was no suggestion of any systemic equal pay issues for jobs of equal value, TfL would continue to use a thorough and rigorous process to ensure that was the case, particularly as different parts of the organisation were brought together under the Transformation programme.

TfL's pay gap figures were affected by a number of factors. The remuneration of operational staff in London Underground included a number of allowances (for example for shift work) and collective bargaining and benchmarking with Network Rail and Train Operating Companies meant that London Underground staff continued to receive pay rises higher than other parts of TfL. These roles were historically filled by white men and while efforts were being made to make operational and STEM roles more attractive to women and under represented groups, this would take time. The low level of turnover in these roles, while a sign of a good employer, meant changing the diversity mix would take time and pay gaps could initially widen as newer and more diverse appointees were paid at the bottom of the pay scale while existing staff were generally higher.

Members discussed the different pay structures within TfL and London Underground; their impact on organisational cohesiveness and equal pay for jobs of equal worth as TfL sought greater flexibility in moving staff around the whole organisation to develop people or simplify functions. TfL was also aware of the potential impact on diversity as the organisation contracted, particularly as the next phase of the Transformation programme sought to reduce back-office staff levels. TfL was measuring diversity and inclusion in relation to organisational changes as well as monitoring the impact on staff wellbeing.

Considerable work was underway and progress being made to improve TfL's representativeness. This was supported by the TfL Scorecard measure approved and monitored by the Board and the use of diversity and inclusion dashboards at local level to drive action plans. In the last year, over 50 per cent of senior appointments had been women and the focus in 2019 would be to increase the BAME representation in senior roles by developing the talent in middle-management roles and attracting new recruits.

At the Graduate and Apprentice level, TfL continued to engage with schools, career fairs and roadshows but now also used specialist organisations for targeted outreach work. TfL also used STEM ambassadors to encourage women and other under represented groups to consider careers in STEM specialisms. Mike Brown had set HR challenging

diversity targets for the Graduate and Apprentice programmes. Further information on how Mike Brown's STEM advisory group helped him challenge TfL's targets would be provided to the Safety, Sustainability and Human Resources Panel.

[Action: Mike Brown]

TfL was also developing Talent Boards across its main business areas to identify staffing needs and to manage existing and emerging talent to meet them. There was a clear focus on local accountability to meet the TfL Scorecard measures on diversity and inclusion through the use of the local dashboards and action plans. The Committee encouraged the use of internal targets to really drive TfL's ambition, as diverse and inclusive teams were proven to be higher performing and more innovative and therefore a key driver for TfL's future success. The diversity within teams had to be of sufficient mass that the new recruits were able to express their different ideas and opinions rather than be subsumed into the existing team culture. Mike Brown provided two examples of relatively new female leaders in traditionally male teams that had made significant changes to the team culture and consequently their performance, as demonstrated through Scorecard and staff survey measures. These women were an inspiration to others in TfL and that success should be promoted to also demonstrate the strong business case for diversity and inclusion measures.

Staynton Brown would follow up offers from Ron Kalifa OBE and Ben Story to provide details and introductions to leading inclusion experts, to get more information on examples of best practice.
[Action: Staynton Brown]

An update report on progress with diversity and inclusion targets and pay gap measures would be brought forward to the June 2019 meeting.
[Action: Staynton Brown]

The Committee noted the paper.

06/01/19   Remuneration Benchmarking

Tricia Wright and Stephen Field introduced the paper, with input from Stuart Hyland and Andrew Page from Aon, TfL's retained executive remuneration consultant. The paper set out proposals for senior executive remuneration benchmarking and sought views on the roles to be covered, the applicable 'peer group', the method to be used for generating comparable remuneration data and the format for the presentation of the results.

TfL was committed to the Mayor's pay freeze for its most senior staff. Benchmarking was still an important internal tool to enable TfL to set appropriate pay rates to retain staff and fill vacancies, particularly for hard to fill roles or those where high performing staff could be lost to organisations offering markedly higher packages like HS2 Limited or Train Operating Companies.

Previous benchmarking reports for the most senior staff had used a relatively small peer group and a single "blended" figure for each role arrived at by combining the remuneration benchmarks for comparable listed company (60 per cent) and publicly accountable (40 per cent) roles. The peer group and methodology used was different from those used for other senior management roles.

As the benchmarking specialists, Aon recommended that TfL should benchmark against a broader range of peer groups, based on the Tower Watson list used for benchmarking other roles within TfL. For greater transparency, Aon also recommended providing

separate figures for the listed company and publicly accountable comparators and a simplified approach to the presentation of the data, as this led to a richer discussion on the appropriate remuneration package for different roles. An example of the presentation proposed was included in the paper. Members also recommended that Aon review the pensionable age listed in the report as many organisations had reviewed their calculations based on a later retirement age.

The Committee noted the paper and:

(a) **noted the previous (2016) benchmarking report and in particular the methodology used to produce the benchmark information using a 'combined' market position from two separate peer groups;**

(b) **confirmed that the roles under its Terms of Reference should be surveyed as part of the 2019 report;**

(c) **supported the 'peer group' of organisations recommended by Aon to draw benchmark data from;**

(d) **supported the method to be used for generating comparable remuneration data, as recommended by Aon; and**

(e) **supported the proposed format for the report, as recommended by Aon.**

07/01/19   Members' Suggestions for Future Discussion Items

Members discussed the forward plan and requested the following changes:
(a)   June 2019, bring forward the further update on Pay Gap Analysis, as discussed above (Minute 05/01/19);
(b)   June 2019, an item on the Commercial Development Performance Management System, to consider amendments to align it more closely to the rest of TfL, with clear targets for delivery against the TfL Scorecard and its own delivery plan with a minimum threshold to achieve an award and a maximum opportunity of award, rather than the existing On Target and Stretch measures;
(c)   June 2019, potential item on changes to the Committee's Terms of Reference to reflect the outcome of the Jarvis Review into Senior Staff Severance Pay and the process for approving salaries of £100,000 or more and the outcome of the KPMG review into the Governance of Crossrail Limited in relation to TfL's oversight of its remuneration awards; and
(d)   July 2019, bring forward the planned November 2019 paper on Talent and Succession Planning and provide further information on the size and scale of the talent emerging in the organisation and the impact this may have on pay gap figures.

08/01/19   Any Other Business the Chair Considers Urgent

There was no urgent business to discuss.

09/01/19   Date of Next Meeting

The next scheduled meeting of the Committee was 18 June 2019 at 10.00am.

The meeting closed at 11.25am

Chair: _____

Date: _____

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Remuneration Committee

Date: **18 June 2019**

Item: **Matters Arising, Actions List and Use of Delegated Authority**

This paper will be considered in public

1   Summary

1.1   This paper provides information on the recent update to the Committee's terms of reference (Appendix 1), two uses of Chair's Action to approve salaries of £100,000 or more and the progress against actions agreed at previous meetings (Appendix 2).

2   Recommendation

2.1   **The Committee is asked to note its updated terms of reference, the use of Chair's Action and the updated Actions List.**

3   Update to Terms of Reference

3.1   On 22 May 2019, the Board agreed changes to the Committee's terms of reference. The revised terms of reference are attached as Appendix 1.

3.2   Paragraph 3 of the terms of reference says the Committee will review from time to time the remuneration of the Commissioner and senior direct reports to the Commissioner. The list of direct reports was updated to reflect changes in reporting lines.

3.3   The main change was the addition of paragraphs 13 and 14 to give effect to the recommendations of Dawn Jarvis Review of termination clauses and payments for senior employees across the GLA Group. The Committee now has oversight of any proposed exit payments for the Commissioner, Managing Directors and other Senior Directors reporting to the Commissioner.

4   Use of Delegated Authority

Salaries over £100k or more

4.1   The Terms of Reference for the Committee required it to approve salaries of £100,000 or more.

4.2   As part of the ongoing transformation programme the Finance and Procurement teams have been restructured to improve effectiveness, reduce the overall number of roles and deliver cost savings.

4.3   These improvements have involved changes to the senior leadership of the teams. On 4 April 2019, following consultation with members of the Committee, the Chair approved salaries of £100,000 or more for the following roles within the Finance and Procurement functions.

Finance:

(a) Group Finance Director – new role;

(b) Corporate Finance & Strategy Director – existing role;

(c) Divisional Finance and Procurement Director x3 (London Underground, Surface, Major Projects Directorate) – new roles;

(d) Head of Finance Process Improvement – new role;

(e) Group Treasurer – existing role; and

(f) Head of Capital Markets and Asset & Liability Management – existing role;

Procurement:

(a) Group Procurement director – new role;

(b) Head of Procurement Hub – new role;

(c) Head of Procurement – Delivery Business x5 and Head of Commercial x1 – new role; and

(d) Category Lead x7 – new role.

4.4   On 23 May 2019, following consultation with members of the Committee, the Chair approved salaries of £100,000 or more for two individuals in the following roles:

(a) Chief HSE Officer – new role; and

(b) Investment Delivery Planning Director – new role.

List of appendices to this report:

Appendix 1:   Terms of Reference
Appendix 2:   Actions List

List of Background Papers:

Minutes of previous meetings of the Committee
Chair's Action papers issued on 2 April and 21 May 2019

Contact Officer: Howard Carter, General Counsel
Number: 020 3054 7832
Email: HowardCarter@tfl.gov.uk

Remuneration Committee Actions List (reported to the meeting on 18 June 2019)

Actions arising from the meeting held on 23 January 2019.

Minute No.	Description	Action By	Target Date	Status note
05/01/19 (1)	**Pay Gap Analysis – STEM Advisory Group:** Further information on how Mike Brown's STEM advisory group helped him challenge TfL's targets would be provided to the Safety, Sustainability and Human Resources Panel.	Mike Brown	June 2019	The STEM advisory group has a range of industry leads to support Mike Brown in providing strategic leadership in transport across STEM and D&I. Further information will be provided to the Panel in a D&I update.
05/01/19 (2)	**Pay Gap Analysis – Inclusion Best Practice:** Staynton Brown would follow up offers from Ron Kalifa OBE and Ben Story to provide details and introductions to leading inclusion experts, to get more information on examples of best practice.	Staynton Brown	June 2019	Referenced in paper on the agenda. Staynton Brown met with Suki Sandhu (Founder & CEO Involve People) and discussed diversity, senior hires and potential areas of good practice.
05/01/19 (3)	**Pay Gap Analysis – Diversity and Inclusion Targets:** An update report on progress with diversity and inclusion targets and pay gap measures would be brought forward to the June 2019 meeting.	Staynton Brown	June 2019	Paper on agenda.

Actions from previous meetings

Minute No.	Description	Action By	Target Date	Status note
06/06/18 (ii)	**2017-18 Scorecards – Future outturn review process** It was agreed that following the consideration of the 2018/19 Scorecard Outturn review by the Audit and Assurance Committee, the Chair of that Committee would meet with the Chair of the Remuneration Committee before this Committee considered the Scorecard Outturn report and Performance Awards.	Secretariat	May 2019	Scheduled. Update to be provided at the meeting.
06/06/18 (iii)	**2017-18 Scorecards – TfL Alumni proposal** The Chair of the Committee would discuss with the Chief People Officer the desirability and viability of some form of Alumni for TfL to keep in touch with its former employees.	Chair / Tricia Wright	Feb 2019	The Alumni suggestion will be progressed as part of the Leadership Foundation proposal.
17/11/18 (i)	**Pay Gap Analysis – Diversity and Inclusion Dashboard actions** A summary of the actions across TfL would be provided to Members.	Staynton Brown	May 2019	Agreed

Remuneration Committee

Date: **18 June 2019**

Item: **Pay Gap Analysis**

TRANSPORT FOR LONDON
EVERY JOURNEY MATTERS

This paper will be considered in public

1 Purpose

1.1 This paper seeks to update the Committee on TfL's annual pay gap analysis with a particular focus on gender and ethnicity.

2 Recommendation

2.1 **The Committee is asked to note the paper.**

3 Background

3.1 The Mayor's manifesto contained a commitment to publish a gender pay audit for the Greater London Authority (GLA) and its functional bodies including TfL, with a requirement that work should be undertaken to narrow any gaps identified.

3.2 In addition our pay gap report for gender complies with the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 and the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 whilst our ethnicity pay gap report meets with the additional reporting requested by the Mayor and is set out in the same format as for gender.

3.3 The information extracts in this paper are based on 27,399 TfL employees as at the 31 March 2018 snapshot date for hourly rate pay and the 12 month period 1 April 2017 to 31 March 2018 for bonus payments. They show the median pay gap as opposed to the mean (which can be skewed by outlier information). The full published reports include both median and mean pay gap measures.

3.4 Our full reports for gender and ethnicity pay gap reporting are published on the TfL website: https://tfl.gov.uk/corporate/publications-and-reports/equality-and-inclusion-publications

4 Gender Pay Gap

4.1 The gender pay gap is an equality measure that shows the difference in average earnings across all jobs between women and men employed by the same employer. The gender pay gap does not show difference in pay for comparable jobs as in 'equal pay'.

4.2 The overall gender split is 76.5 per cent men and 23.5 per cent women.

Hourly Rate Base Pay Comparison

4.3   The tables below show the overall median comparison between the hourly rates of pay for full-pay relevant men and women.

Table 1 – Consolidated TfL median gender pay gap hourly rates of pay

	Men	Women	% pay gap
Median	£28.14	£22.08	**21.5%**

Table 2 – Consolidated TfL median gender pay gap hourly rates of pay by payband

	Men		Women		
	Hourly pay median	No of employees	Hourly pay median	No of employees	Hourly pay % pay gap
Board	£125.00	11	£135.59	14	**-8.5%**
Director	£96.06	38	£87.61	13	**8.8%**
Band 5	£55.88	140	£54.91	54	**1.7%**
Band 4	£41.55	683	£40.00	262	**3.7%**
Band 3	£31.81	3,160	£28.60	1,133	**10.1%**
Band 2	£27.74	3,809	£21.53	1,399	**22.4%**
Band 1	£16.70	550	£17.17	748	**-2.8%**
Graduates	£16.43	137	£16.43	79	**0.0%**
Apprentices	£10.20	151	£10.90	49	**-6.8%**
Operational	£26.36	11,763	£20.31	2,334	**22.9%**

4.4   Our pay bands and associated pay ranges are broad which accommodates a distribution of job size, a varied range of roles, occupations and different market rates.

4.5   Within band 2 we have a group of employees that have a shift allowance consolidated into their pay base therefore meaning that the pay comparison basis for this group is not the same.

4.6   Within operational grades there is typically a higher proportion of men in the higher paying spot rate roles, for example, Train Operators and a greater proportion of women in the lower paid spot rate roles e.g. Customer Service Assistant.

Bonus Pay Gap Comparison

4.7   Bonus includes a wide range of ad hoc payments such as individual performance-related payments (performance awards), London Underground's staff performance bonus scheme (based on measures for Lost Customer Hours / Customer Satisfaction), Make a Difference recognition scheme vouchers, long-service recognition awards and other one-off bonus payments that employees may have been awarded during the course of the year.

4.8   The table below shows the median comparison between the bonuses paid to all relevant men and women.

Table 3 – Consolidated TfL single figure bonus pay gap

	Bonus men	Bonus women	Bonus % pay gap
Median	£250.00	£261.53	**-4.6%**

4.9   The median bonus gap is impacted significantly by the payment of a £250 LCH performance bonus paid out to London Underground employees in July 2017 as this group represents more than half the total TfL population.

4.10   The table below shows the proportion of relevant men and women receiving bonuses.

Table 4 – Consolidated TfL proportion of employees receiving bonuses

	Men	Women
Proportion of employees receiving bonus	85.8%	79.4%

Main Findings

4.11   Proportionately fewer women in higher paid senior roles

4.12   Proportionately more men in operational roles that are far more highly paid than other roles at a similar level because of shift and unsocial working allowance that are combined into the salary

4.13   A gender imbalance and lower numbers of senior women in the smaller employing entities

4.14   Fewer women in the transport and engineering sector as a whole

5   Ethnicity Pay Gap

5.1   The ethnicity pay gap is an equality measure that shows the difference in average earnings across all jobs between white and BAME staff employed by the same employer. The ethnicity pay gap does not show difference in pay for comparable jobs as in 'equal pay'.

5.2   The overall ethnicity split in TfL is 49.8 per cent White, 26.4 per cent BAME and 23.8 per cent Prefer Not to Say/Unknown.

5.3   Forty per cent of Londoners are BAME and 35 per cent of economically active Londoners are from BAME communities whereas 26.4 per cent of our workforce is BAME. However, only 13.8 per cent of our senior managers are from BAME communities, which is an under representation of our overall workforce. Additionally, 25.4 per cent of our graduates and apprentices, 25.7 per cent of our bands 1-3 population, 28.3 per cent of our operational population and 12 per cent of our board members are from BAME communities.

Hourly Rate Base Pay Comparison

5.4   The table below shows the overall median and mean comparison between the hourly rates of pay for full-pay relevant White and BAME employees.

Table 5 – White and BAME Consolidated TfL median pay gap hourly rates of pay

	White	BAME	% pay gap
Median hourly pay	£28.46	£25.82	**9.3%**

Table 6 – White and BAME consolidated TfL median pay gap by payband

	White		BAME		Hourly pay % pay gap
	Hourly pay median	No of employees	Hourly pay median	No of employees	
Board	£133.92	15	£144.68	3	**-8.0%**
Director	£93.09	43	£89.09	4	**4.3%**
Band 5	£54.80	144	£55.84	15	**-1.9%**
Band 4	£40.91	614	£40.93	109	**0.0%**
Band 3	£31.49	2,306	£30.12	850	**4.3%**
Band 2	£26.10	2,684	£24.95	1,462	**4.4%**
Band 1	£17.49	572	£16.98	460	**3.0%**
Graduates	£16.43	129	£16.43	42	**0.0%**
Apprentices	£10.31	119	£10.90	63	**-5.7%**
Operational	£27.92	6,678	£25.82	3,950	**7.5%**

Bonus pay gap comparison

5.5   The table below shows the median and mean comparison between the bonuses paid to all relevant White and BAME employees.

Table 7 – White and BAME consolidated TfL single figure bonus pay gap

	Bonus White	Bonus BAME	Bonus % pay gap
Median	£250.00	£250.00	**0.0%**
Mean	£739.22	£459.36	**37.9%**

5.6   The table below shows the proportion of relevant White and BAME employees receiving bonuses.

Table 8 – White and BAME consolidated TfL proportion of employees receiving bonuses

	White	BAME
Proportion of employees receiving bonus	87.4%	82.6%

Main Findings

5.7　Our workforce does not currently reflect the diversity of the Capital's population.

5.8　The under-representation of BAME employees in senior levels, and therefore in higher paid roles, along with the larger proportion of BAME employees in operational areas, is reflected in the overall average hourly pay rates and bonus figures shown in the report.

5.9　The differences in our bonus gaps are due to having more employees from BAME communities within London Underground operational roles, in which they receive flat-rate bonuses linked to operational performance and recognition awards, compared to the higher proportion of white employees in non-operational and senior management roles, who receive percentage-based bonuses.

6　Closing the pay gap

6.1　Our vision for is to 'make TfL a great place to work for everyone'. We are committed to being an organisation that reflects the full diversity of London, maximising everyone's talent and potential, to deliver the best services to Londoners.

What has been done?

6.2　We have launched the TfL Leadership Foundation that will focus on developing Inclusive Leaders as one of the priorities. We will also continue to identify the next generation of leaders through the Leadership Foundation.

6.3　We are working in partnership with the Cabinet Offices' Behavioural Insights Team and Government Equalities Office on a two year project to reduce the gender pay gap. The project has seen six years of data being analysed by data scientists, to understand specific pinch points that drive the gender pay gap, followed by designing interventions to best reduce the pay gap.

6.4　We have continued with anonymised CVs, which resulted in a significant increase in the percentage of women and BAME hires.

6.5　We have created an integrated Diversity, Inclusion and Talent function.

6.6　We have introduced more robust Diversity and Inclusion governance with clear accountabilities and indicators to measure progress in response to our actions and support.

6.7　We are planning to set as a gender pay gap reduction target and will monitor progress through the D&I dashboard.

6.8   A key area of focus is to reduce bias in our approach to recruitment, performance and development and we are planning full roll-out of anonymous job applications.

6.9   We will include further gender-related targets in contracts with our main suppliers.

List of appendices to this report:

None.

List of Background Papers:

None

Contact Officer: Tricia Wright, Chief People Officer
Number: 020 3054 7265
Email: triciawright@tfl.gov.uk

Contact Officer   Staynton Brown Director Diversity, Inclusion and Talent
Number: 020 7918 7276
Email: stayntonbrown@tfl.gov.uk

Remuneration Committee

Date: **18 June 2018**

Item: **Commercial Development Performance Award Scheme**

This paper will be considered in public

1 Purpose

1.1 As discussed at the last meeting of the Committee, it was requested that the Commercial Development Performance Award Scheme be updated to reflect alignment and consistency with the other performance award arrangements in operation within TfL.

2 Recommendation

2.1 **The Committee is asked to note the paper and the revised Commercial Development Performance Award Scheme.**

3 Background

3.1 Following the establishment of the Commercial Development function and in order to attract the necessary external talent, a separate performance award arrangement was created in 2015. This arrangement effectively offered eligible individuals (circa 25 individuals), based upon delivery of personal key performance indicators, the maximum potential to be awarded 100 per cent, 60 per cent or 30 per cent of base salary in the form of an annual performance award, as set out below in paragraph 4.1.

4 Proposed Changes to the Commercial Development Performance Award Scheme

4.1 The table below details the performance award opportunities under the existing and proposed updated schemes.

Performance Award opportunities

Level	No of employees on scheme	Existing scheme		Updated scheme
		On Target %	Stretch %	Maximum opportunity %
Property Development Director	1	65	35	100
Band 5 Heads of Property Development, Band 5's and Director in Commercial Asset Management	9	40	20	60
Band 4 Senior Property Development Managers	15	20	10	30

Differences in schemes

4.2 The main differences between the existing scheme and the updated scheme are listed below.

4.3 Existing scheme:

(a) Established as a personal incentive plan based on delivery of personal KPIs without dependency on business scorecard results.

(b) Scheme paid out On Target and Stretch levels of award depending on personal achievement.

(c) 50 per cent sweeper (punitive) against total achievement if not all objectives met at On Target level (not deployed 2017/18 outcomes).

(d) Discretion within the scheme for mitigations to be applied against individual achievement.

4.4 Updated scheme

(a) Uses the approved Pan-TfL design for Senior Management performance awards, with a dependency on individual performance rating as a differentiator for individual performance awards

(b) Budgets derived from scorecard achievements

(c) Actual budget based on both TfL scorecard achievement (20 per cent of total award) and Commercial Development (CD) scorecard achievement (80 per cent)

(d) Each scorecard must achieve a minimum threshold before any budget becomes available

(e) Unlike the Senior Management Reward Framework, the CD arrangement will still pay out if the TfL scorecard does not hit minimum threshold required but the CD scorecard does. The CD element will pay out (80 per cent).

(f) A bespoke CD scorecard has been created for this scheme to reflect the scorecard elements this population influence.

(g) Individual performance award outcomes are based on the published matrix, using individual performance ratings, therefore employees at the same level with the same performance rating receive the same percentage award.

(h) Move to maximum opportunity of award rather than broken into On Target and Stretch measures.

(i) Stretch achievement is defined as scorecard achievement in excess of 85 per cent.

List of appendices to this report:

None

List of Background Papers:

None

Contact Officer: Tricia Wright, Chief People Officer
Number: 020 3054 7265
Email: triciawright@tfl.gov.uk

Contact Officer: Simon Kilonback, Chief Finance Officer
Number: 020 3054 8941
Email: simonkilonback@tfl.gov.uk

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Remuneration Committee

Date: 18 June 2019

Item: 2018-19 Scorecards

This paper will be considered in public

1   Summary

1.1   This paper provides the Committee with the business performance results as measured by the TfL and delivery business scorecards for the year ended 31 March 2019.

2   Recommendation

2.1   **The Committee is asked to note the delivery against scorecards for 2018-19.**

3   2018-19 scorecard outcomes

3.1   The table below summarises the 2018-19 scorecard results against the ambitious targets. A full breakdown is contained in Appendix 1.

Table 1: A summary of the 2018-19 scorecard outcomes

Scorecard	Actual Outcome %	Rounded Outcome % for Performance Award Calculations
London Underground	57.8	57
Surface Transport	85.9	85
Commercial Development	86.9	86
Major Projects	93.4	93
TfL	**71.3**	**71**

4   Assessing TfL's performance in 2018-19

4.1   The TfL Business Plan sets our long term objectives driven by the Mayor's Transport Strategy whilst the Budget set out our activity in 2018/19: 12 objectives were identified where significant progress was needed. The TfL scorecard whilst being ambitious and stretching captures the outcomes and milestones required over 2018/19 to deliver this.

4.2   The scorecards of our four delivery businesses captured how the TfL scorecard translated into what each individual business needed to achieve, focusing more on leading measures.

4.3   In previous years, the performance award budget for each business area (including those in Professional Services) has been determined by both the TfL and business area scorecard results. In 2018-19 this continued for our delivery businesses,

Surface, London Underground, Commercial Development and Major Projects Directorate, but in Professional Services the budget is determined by the TfL scorecard only ensuring that all senior managers are aligned in pursuit of our most important goals.

4.4   The assurance and approval of the TfL scorecard result is managed via the Audit and Assurance Committee (AAC) based on and Assurance Review undertaken by TfL's Risk and Assurance Team.

4.5   The AAC's Assurance Review was completed on 24 May 2019 and the scorecard results were therefore deemed as being formally approved at that point.

List of appendices to this report:

Appendix 1: 2018/19 scorecards

List of Background Papers:

None

Contact Officer: Tricia Wright, Chief People Officer
Number: 020 3054 7265
Email: triciawright@tfl.gov.uk

Contact Officer: Stephen Field, Director of Pensions and Reward
Number: 020 7918 3786
Email: stephenfield@tfl.gov.uk

Appendix 1: 2018-19 TfL scorecard

	Objective	Measure	Unit of measure	2017/18 Result	2018/19 Target	2018/19 Floor target (sliding scale)	2018/19 Final Result		Weighting	Final score
Safety & operations	London's transport system will be safe & secure	Reduction in KSIs	%	39.4%	45.4%	39.4%	42.4%	🟧	5.0%	2.5%
		Reduction in KSIs involving buses	%	54.4%	55.6%	54.4%	58.9%	🟩	2.5%	2.5%
		Total injuries - workforce and customer	No.	11,735	11,683	11,735	11,279	🟩	5.0%	5.0%
	London's streets will be used more efficiently & have less traffic	Operational improvements to sustainable travel	Hours per day	New	15,000	14,250	16,985	🟩	2.5%	2.5%
	London's streets will be clean and green	Number of London buses which are Euro VI compliant	No.	3,500	6,050	5,920	6,950	🟩	1.5%	1.5%
	More Londoners will travel actively	Healthy streets check for designers	Average 10% point uplift	New	10%	8.7%	11%	🟩	1.5%	1.5%
	Journeys by public transport will be fast and reliable	Excess Journey Time	Mins	4.63	4.50	4.63	4.49	🟩	3.5%	3.5%
		Average bus speeds	Mph	9.3	9.2	9.2	9.3	🟩	3.5%	3.5%
Customer	Public transport will be accessible to all	Additional time to make step-free journeys	Mins	New	9.0	9.45	9.1	🟧	2.5%	1.8%
	Journeys by public transport will be pleasant	Care metric (% agree TfL cares about its customers)	%	46%	49%	46%	49%	🟩	7.5%	7.5%
	Transport investment will unlock the delivery of new homes and jobs	% affordable housing	%	51%	50%	50%	62%	🟩	2.5%	2.5%
	80% of journeys will be made by sustainable modes in 2041	Sustainable mode share improvement	4 elements	New	4 of 4 = 100%	2 of 4 = 0%	3 of 4	🟧	5.0%	3.8%
		i) Walking		-	Increase	Increase	Increase	🟩		
		ii) Cycling (total kms cycled in CCZ)	Compared to 2017	-	Increase	Increase	Increase	🟩		
		iii) Public transport journeys (m)		-	Increase	Increase	Increase	🟩		
		iv) Traffic index		-	Decrease	Decrease	Decrease	🟥		
	All MTS outcomes	Deliver key investment milestones	%	72%	90%	0%	83%	🟧	3.75%	3.47%
		Deliver Elizabeth line central section	Date	New	Dec 2018	Dec 2018	Delayed	🟥	3.75%	0%
People	A capable & engaged workforce representative of London	All staff workforce diversity	%	69.7%	70.7%	69.7%	69.9%	🟧	5%	1%
		B5+ workforce diversity	%	41.5%	46.6%	41.5%	37.8%	🟥	5%	0%
		Inclusion index	%	43%	46%	43%	43%	🟧	5%	0.2%
		Total Engagement	%	56%	57%	56%	56%	🟧	10%	3.5%
Financial	We cover our costs and we are prudent	Net Operating surplus	£m	£319m	£12m	£12m	£358m	🟩	17.5%	17.5%
		Investment programme	£m	11% under budget (c.£200m)	£2,138m	£2,138m	£1,633m	🟩	7.5%	7.5%
		Total							100.0%	71.3%
		Performance awards are based on rounded DOWN numbers								71%

London Underground scorecard

	Objective	Measure	Unit of measure	2017/18 Result	2018/19 Target	2018/19 Floor target (sliding scale)	2018/19 Final Result		Weighting	Final score
Safety and Operations	London's transport system will be safe & secure	LU Customer injuries	No.	3,741	3,671	3,741	3,943	🟥	7.5%	0%
		LU Workforce injuries	No.	1,022	957	1,147	997	🟥	7.5%	6%
	Journeys by public transport will be fast and reliable	Excess Journey Time (including Industrial action)	minutes	4.65	4.5	4.63	4.56	🟥	n/a	n/a
		Excess Journey Time (excluding Industrial action)	n/a	4.63	4.5	n/a	4.49	🟩	8%	8%
		Lost Customer Hours (including Industrial action)	Minutes	23.96	22.3	23.8	24.6	🟥	n/a	n/a
		Lost Customer Hours (excluding Industrial action)	n/a	23.81	22.3	n/a	22.48	🟥	n/a	n/a
		TfL Rail PPM	%	94.3	94.25	93.85	94.5	🟩	2%	2%
Customer	Journeys by public transport will be pleasant	LU customer satisfaction survey	Score out of 100	85	85	n/a	84	🟥	8%	0%
		TfL Rail customer satisfaction survey	Score out of100	83	83	n/a	84	🟩	2%	2%
	Public transport will be accessible to all	LU step free access availability	%	98.8	98.5	n/a	98.7	🟩	5%	5%
	Journeys by public transport will be pleasant	LU cares about its customers	Score out of100	47	49	n/a	51	🟩	n/a	n/a
	All MTS outcomes	LU capital milestone delivery (Tier 1 + 2)	%	51	90	n/a	64.7	🟥	10%	7%
People	A capable & engaged workforce representative of London	Total engagement	Score out of100	54	55	54	54	🟥	12.5%	0%
		Workforce representative index: all staff	%	64.7	66.8	64.7	65.6	🟥	5%	2%
		LU attendance	%	94.5	96	94.5	94.6	🟩	7.5%	0.5%
Financial	We cover our costs and we are prudent	Direct Operating surplus*	£m	559	671	n/a	736	🟩	10%	10%
		LU capital expenditure	£m	(346)	(362)	n/a	(302)		7.5%	7.5%
		TfL Rail direct operating deficit	£m	(30)	(164)	n/a	(119)		5%	5%
		TfL Rail capital expenditure	£m	(376)	(316)	n/a	(258)		2.5%	2.5%
		TfL engineering direct operating deficit	£m	–	(26)	n/a	(24)		n/a	N/A
Total									100.0%	57.8%

Surface scorecard

	Objective	Measure	Unit of measure	2017/18 Result	2018/19 Target	2018/19 Floor target (sliding scale)	2018/19 Final Result		Weighting	Final score
Safety & Operations	London's transport system will be safe & secure	Reduction in road killed & seriously injured (% from 2005-09 baseline)	%	39.50%	45.4%	39.4%	42.4%	🟧	3%	**1.5%**
		Reduction in road killed & seriously injured (% from 2005-09 baseline)	%	62.50%	55.6%	54.4%	58.9%	🟩	3%	3%
		Reduction in injuries to customers and workforce	No.	6191	6,571	6,677	6,071	🟩	5%	5%
		Sandilands RAIB recommendations milestones	%	n/a	100%	95%	100%	🟩	1%	1%
		Surface Transport crime rate	pmpj	7	7	7	6.9	🟩	3%	3%
	London's streets will be used more efficiently & have less traffic	Operational improvements to sustainable travel	Hours per day	n/a	15,000	14,250	16,985	🟩	1%	1%
		Road disruptions to average London journey times no more than 15% of baseline	%	n/a	15%	n/a	1%	🟩	2%	2%
	London's streets will be clean and green	Number of London buses which are Euro VI compliant	No.	3,250	6,050	5,920	6,950	🟩	1%	1%
	More Londoners will travel actively	Healthy streets scheme assessment	Average % uplift	n/a	10%	8.7%	11%	🟩	1%	1%
	Journeys by public transport will be fast and reliable	Bus excess wait time	Mins	1	1.0	1.0	1.0	🟩	1%	1%
		Average bus speeds	Mph	9.3	9.2	9.2	9.3	🟩	2%	2%
		London Overground PPM period	%	94.6	95	94	93.7	🟥	2%	0%
Customer	Journeys by public transport will be pleasant	Bus CSS	Score	87	86	86	85	🟥	2%	0%
		TLRN CSS		71						
		- pedestrians & cyclists	Score	70	69	69	71	🟩	2%	2%
		- all road users	Score	70	69	69	71	🟩	2%	2%
		London Overground CSS	Score	84	85	84	83	🟥	2%	0%
		Londoners deterred from using public transport due to worry about personal security	%	n/a	5%	6%	5.5%	🟧	3%	1.5%
	80% of journeys will be made by sustainable modes in 2041	Sustainable mode share improvement	Out of seven		7 of 7	4 of 7	3 of 7	🟥	4%	0%
	All MTS outcomes	Surface PAMs and BD milestones	%	86%	90%	0%	95%	🟩	10%	10%
People	A capable & engaged workforce representative of London	Workforce representativeness: all staff	%	73.7	74.60%	73.70%	74.50%	🟧	10%	9%
		Total engagement	%	56%	57%	56%	57%	🟩	15%	15%

Financial	We cover our costs and we are prudent	Net operating surplus/(deficit)	£m	£(794)m	£(887)m	Same or better	£(849)m		15%	15%
		Capital expenditure	£m	£(303)m	£(360)m	Same or better	£(264)m		10%	10%
Total				39.50%					**100%**	**85.9%**
Performance awards are based on rounded DOWN numbers										**85%**

Commercial Development scorecard

	Objective	Measure	Unit of measure	2017/18 Result	2018/19 Target	2018/19 Floor target (sliding scale)	2018/19 Final Result		Weighting	Final score
Safety and Operations	London's transport system will be safe & secure	Risk Management Maturity Model score	Score	New	2.4	2.3	2.5	🟩	5%	5%
		Number of homes out to market	No.	3,857	3,000	2,700	3,165	🟩	15%	15%
		Number of homes with planning permission sought	No.	0	1,250	1,125	1,418	🟩	5%	5%
Customer	Transport investment will unlock the delivery of new homes and jobs	% of housing units we go to market with that are affordable	%	51%	50%	46%	62%	🟩	10%	10%
	All MTS outcomes	Project Accountability Milestone delivery	%	95%	90%	0%	62%	🟧	10%	6.9%
		Overall Tenant Satisfaction	%	35%	50%	45%	55%	🟩	5%	5%
People	A capable & engaged workforce representative of London	Total Engagement Index (Viewpoint Survey)	%	66%	67%	66%	65%	🟥	10%	0%
		Diversity Actions	%	New	100%	66%	100%	🟩	15%	15%
Financial	We cover our costs and we are prudent	Net Operating Surplus	£m	£205m	£95.5m	£95.5m	£125.3m	🟩	15%	15%
		Capital Receipts	£m	£58.8m	£231.5m	£231.5m	£255.1m	🟩	10%	10%
Total:									100%	86.9%
Performance awards are based on rounded DOWN numbers										86%

MPD scorecard

	Objective	Measure	Unit of measure	2017/18 Result	2018/19 Target	2018/19 Floor target (sliding scale)	2018/19 Final Result		Weighting	Final score
Safety and Operations	London's transport system will be safe & secure	Accident frequency rate (AFR)	%	0.07	0.14	0.147	0.14		10.0%	10.0%
		Workforce injuries reduction (cumulative)	%	n/a	<= 95% last year	> 95%	93.2%		7.5%	7.5%
		Incident investigation actions closed-out	%	n/a	80%	80%	90%		7.5%	7.5%
Customer	All MTS outcomes	All milestones in year on time	%	59.87%	90%	0%	78.2%		25%	21.7%
People	A capable & engaged workforce representative of London	Inclusion index	%	49%	40%	38%	52%		10%	10%
		Engagement index	%	59%	56%	53%	61%		10%	10%
		Wellbeing index	%	55%	60%	54%	56%		5%	1.7%
Financial	We cover our costs and we are prudent	Capex actual spend vs Budget	£m	99.3%	£777m	< 100%	£659m		20%	20%
		Opex spend versus Budget	£m	n/a	£12m	< 100%	£7m		2.5%	2.5%
		Programme savings (budget minus 1%)	£m	n/.a	£769m	< 100%	£659m		2.5%	2.5%
Total:									100.0%	93.4%
Performance awards are based on rounded DOWN numbers										93%

Remuneration Committee

Date: 18 June 2019

Item: Performance Awards 2018-19

TRANSPORT FOR LONDON
EVERY JOURNEY MATTERS

This paper will be considered in public

1 Summary

1.1 This paper seeks the Committee's approval for performance awards in respect of the Commissioner, Managing Director and specific Director roles in relation to the overall performance delivery for the year ended 31 March 2019 as measured against the TfL and delivery business scorecards. The Committee is asked to note the eligible performance awards for all other TfL staff (including Directors and Senior Managers).

1.2 A paper is included on Part 2 of the agenda, which contains exempt supplemental information. The information is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the financial affairs of a person or authority. 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 supplemental information on Part 2 of the agenda:**

   (a) **agree the individual performance rating proposed for the Commissioner;**

   (b) **agree the level of performance awards for the Commissioner, Managing Directors and Directors specified under the Committee's Terms of Reference against the 2018-19 performance delivery outturn; and**

   (c) **note the overall level of performance awards for other staff.**

3 Background and Summary of Scorecard Achievement

3.1 An earlier paper on the agenda 'Scorecards 2018-19', sets out in detail the scorecard outturn for TfL and the delivery businesses.

3.2 A further paper on the agenda, 'Review of the first year of operation of the new TfL performance award scheme for senior management', facilitates the Committee's review of the new performance award arrangement in a way that could potentially impact the calculation of performance awards for 2018-19 as set out in this paper.

3.3 **The total actual score against the TfL scorecard is 71.3 per cent**. For the purposes of performance award calculation we round the actual scorecard score down to the nearest whole number.

Summary of Scorecard Achievement Rates

Table 1: A summary of the 2018-19 scorecard achievement

Scorecard	Actual Outcome %	Rounded Outcome % for Performance Award Calculations
London Underground	57.8	57
Surface Transport	85.9	85
Commercial Development	86.9	86
Major Projects	93.4	93
TfL	**71.3**	**71**

3.4   The performance awards for the Commissioner, Managing Directors 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, Managing Directors 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.

How performance awards are calculated: Commissioner, Managing Directors and Directors

3.5   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.

3.6   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.

3.7   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. Appendix 1 explains the layout of the illustrative Performance Award Matrix set in October 2017.

3.8   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.

3.9   A separate matrix is drafted at the start of the performance year for each of the three different levels of scheme based on the maximum performance award opportunity (Commissioner, Managing Directors and Directors) as set out in the sections below and Appendices 3 to 5.

3.10   Managing Directors 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. The detail of the calculation method using both the single (TfL) scorecard for Professional Services and the dual scorecard approach (delivery businesses) is set out in Appendix 2 as published in October 2017 and subject to confirmation.

3.11   For all three levels of scheme there is currently a minimum TfL scorecard threshold, which was set in October 2017 of 70 per cent, below which no performance award budget is released. This is regardless of the delivery business scorecard result.

3.12   In a situation where the TfL scorecard result is above the minimum 70 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   Managing Director Performance Awards 2018-19

4.1   The maximum potential performance award that Managing Directors can achieve is **30 per cent** of base salary.

4.2   The structure for Managing Director Performance Awards is set out in Table 2 below.

Table 2: Structure for Managing Director Performance Awards 2018-19

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%	70%	70%	30%
Professional Services	100%	-	70%	-	30%

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

4.4   The Managing Director Scheme Performance Award illustrative Matrix 2018-19 is set out in Appendix 4.

5   Performance Awards for Directors under the Remuneration Committee's Terms of Reference 2018-19

5.1   The maximum potential 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 2018-19

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%	70%	70%	20%
Professional Services	100%	-	70%	-	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.

5.4   The Director Scheme Performance Award illustrative Matrix 2018-19 is set out in Appendix 3.

6   Commissioner's Performance Award 2018-19

6.1   The maximum potential 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 2018-19

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%	-	70%	-	50%

6.3   The Commissioner's Performance Award Scheme illustrative Matrix 2018-19 is set out in Appendix 5.

7   Performance Awards for Directors, Senior Managers and Others

7.1   Arrangements for employees below Managing Director 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, Managing Directors and the Commissioner described in 3.4 – 3.11 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 2018-19

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%	70%	70%	15%
Professional Services	100%	-	70%	-	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:

Appendix 1 – The performance award matrix explained
Appendix 2 – Performance award calculation method for single scorecard (professional services) and dual scorecard (delivery businesses)
Appendix 3 – Director performance award scheme illustrative matrix 2018-19
Appendix 4 – Managing Director performance award scheme illustrative matrix 2018-19
Appendix 5 – Commissioner performance award scheme illustrative matrix 2018-19

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

List of Background Papers:

None

Contact Officer: Tricia Wright, Chief People Officer
Number: 020 3054 7265
Email: triciawright@tfl.gov.uk

Contact Officer   Stephen Field, Director of Compensation & Benefits
Number: 020 7918 3786
Email: stephenfield@tfl.gov.uk

The Performance Award Illustrative Matrix Explained

The Director Performance Award Matrix 2018-19 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).

1. A minimum scorecard threshold of 70% is set which delivers the minimum percentage budget, e.g. 10%.

2. Each performance rating has a multiplier associated with it. The multiplier is applied against the budget amount to calculate the individual percentage award.

Director		Percentage Award by Performance Rating				
Scorecard result	% Budget	1	2	3	4	5
		x 0.0	x 0.33	x 0.85	x 1.15	x 1.25
70	10.00	0	3.3	8.5	11.5	12.5
71	10.33	0	3.4	8.8	11.9	12.9
72	10.67	0	3.5	9.1	12.3	13.3
73	11.00	0	3.6	9.3	12.7	13.8
74	11.33	0	3.7	9.6	13.0	14.2
75	11.67	0	3.9	9.9	13.4	14.6
76	12.00	0	4.0	10.2	13.8	15.0
77	12.33	0	4.1	10.5	14.2	15.4
78	12.67	0	4.2	10.8	14.6	15.8
79	13.00	0	4.3	11.1	15.0	16.3
80	13.33	0	4.4	11.3	15.3	16.7
81	13.67	0	4.5	11.6	15.7	17.1
82	14.00	0	4.6	11.9	16.1	17.5
83	14.33	0	4.7	12.2	16.5	17.9
84	14.67	0	4.8	12.5	16.9	18.3
85	15.00	0	5.0	12.8	17.3	18.8
86	15.33	0	5.1	13.0	17.6	19.2
87	15.67	0	5.2	13.3	18.0	19.6
88	16.00	0	5.3	13.6	18.4	20.0
89	16.33	0	5.4	13.9	18.8	20.0
90	16.67	0	5.5	14.2	19.2	20.0
91	17.00	0	5.6	14.5	19.6	20.0
92	17.33	0	5.7	14.7	19.9	20.0
93	17.67	0	5.8	15.0	20.0	20.0
94	18.00	0	5.9	15.3	20.0	20.0
95	18.33	0	6.1	15.6	20.0	20.0
96	18.67	0	6.2	15.9	20.0	20.0
97	19.00	0	6.3	16.2	20.0	20.0
98	19.33	0	6.4	16.4	20.0	20.0
99	19.67	0	6.5	16.7	20.0	20.0
100	20.00	0	6.6	17.0	20.0	20.0

3. A scorecard result of 85% has been set as the 'on-target' level. It delivers a budget of 15%. An individual with a performance rating of 4 would receive a fixed performance award of 17.3% whilst an individual rated as 3 would receive a performance award of 12.8%.

4. Above 85% represents 'stretch performance'. The budget increases in-line with the increased scorecard result to a maximum budget of 20% at 100% out-turn.

Illustrative Performance Award Calculation Method For Single Scorecard (Professional Services) And Dual Scorecard (Delvery Businesses)

The Director Performance Award Matrix 2018-19 is used below to illustrate the underlying principles for how perfromance awards are calculated for all levels of senior management (from Payband 4 through to the Commissioner).

Professional Services calculation examples (single scorecard)

All calculations assume a base salary of £150,000

Assumptions

TfL Scorecard result **80%**

Performance rating **3**

Calculation

Salary £150,000 x 11.3% = **£16,950**

Assumptions

TfL Scorecard result **90%**

Performance rating **5**

Calculation

Salary £150,000 x 20.0% = **£30,000**

Director		Percentage Award by Performance Rating				
Scorecard result	% Budget	1	2	3	4	5
		x 0.0	x 0.33	x 0.85	x 1.15	x 1.25
70	10.00	0	3.3	8.5	11.5	12.5
71	10.33	0	3.4	8.8	11.9	12.9
72	10.67	0	3.5	9.1	12.3	13.3
73	11.00	0	3.6	9.3	12.7	13.8
74	11.33	0	3.7	9.6	13.0	14.2
75	11.67	0	3.9	9.9	13.4	14.6
76	12.00	0	4.0	10.2	13.8	15.0
77	12.33	0	4.1	10.5	14.2	15.4
78	12.67	0	4.2	10.8	14.6	15.8
79	13.00	0	4.3	11.1	15.0	16.3
80	13.33	0	4.4	11.3	15.3	16.7
81	13.67	0	4.5	11.6	15.7	17.1
82	14.00	0	4.6	11.9	16.1	17.5
83	14.33	0	4.7	12.2	16.5	17.9
84	14.67	0	4.8	12.5	16.9	18.3
85	15.00	0	5.0	12.8	17.3	18.8
86	15.33	0	5.1	13.0	17.6	19.2
87	15.67	0	5.2	13.3	18.0	19.6
88	16.00	0	5.3	13.6	18.4	20.0
89	16.33	0	5.4	13.9	18.8	20.0
90	16.67	0	5.5	14.2	19.2	20.0
91	17.00	0	5.6	14.5	19.6	20.0
92	17.33	0	5.7	14.7	19.9	20.0

Delivery Business calculation examples (dual scorecard approach)

All calculations assume a base salary of £150,000.

Assumptions

TfL Scorecard result **90%**

Delivery Business Scorecard result **80%**

Performance rating **3**

60:40 weighting:

(14.2 x 0.6) + (11.3 x 0.4)

13.04%

Calculation
Salary £150,000 x 13.04% = **£19,560**

Assumptions

TfL Scorecard result **90%**

Delivery Business Scorecard result **80%**

Performance rating **5**

60:40 weighting:

(20.0 x 0.6) + (16.7 x 0.4)

18.68%

Calculation
Salary £150,000 x 18.68% = **£28,020**

Assumptions

TfL Scorecard result **75%**

Delivery Business Scorecard result **85%**

Performance rating **5**

60:40 weighting:

(14.6 x 0.6) + (18.8 x 0.4)

16.28%

Calculation
Salary £150,000 x 16.28% = **£24,420**

Director Performance Award Scheme Illustrative Matrix 2018-19

Director		Percentage Award by Performance Rating				
Scorecard result	% Budget	1	2	3	4	5
		x 0.0	x 0.33	x 0.85	x 1.15	x 1.25
70	10.00	0	3.3	8.5	11.5	12.5
71	10.33	0	3.4	8.8	11.9	12.9
72	10.67	0	3.5	9.1	12.3	13.3
73	11.00	0	3.6	9.3	12.7	13.8
74	11.33	0	3.7	9.6	13.0	14.2
75	11.67	0	3.9	9.9	13.4	14.6
76	12.00	0	4.0	10.2	13.8	15.0
77	12.33	0	4.1	10.5	14.2	15.4
78	12.67	0	4.2	10.8	14.6	15.8
79	13.00	0	4.3	11.1	15.0	16.3
80	13.33	0	4.4	11.3	15.3	16.7
81	13.67	0	4.5	11.6	15.7	17.1
82	14.00	0	4.6	11.9	16.1	17.5
83	14.33	0	4.7	12.2	16.5	17.9
84	14.67	0	4.8	12.5	16.9	18.3
85	15.00	0	5.0	12.8	17.3	18.8
86	15.33	0	5.1	13.0	17.6	19.2
87	15.67	0	5.2	13.3	18.0	19.6
88	16.00	0	5.3	13.6	18.4	20.0
89	16.33	0	5.4	13.9	18.8	20.0
90	16.67	0	5.5	14.2	19.2	20.0
91	17.00	0	5.6	14.5	19.6	20.0
92	17.33	0	5.7	14.7	19.9	20.0
93	17.67	0	5.8	15.0	20.0	20.0
94	18.00	0	5.9	15.3	20.0	20.0
95	18.33	0	6.1	15.6	20.0	20.0
96	18.67	0	6.2	15.9	20.0	20.0
97	19.00	0	6.3	16.2	20.0	20.0
98	19.33	0	6.4	16.4	20.0	20.0
99	19.67	0	6.5	16.7	20.0	20.0
100	20.00	0	6.6	17.0	20.0	20.0

Managing Director Scheme Performance Award Illustrative Matrix 2018-19

Managing Directors		Percentage Award by Performance Rating				
Scorecard result	% Budget	1	2	3	4	5
		x 0.0	x 0.33	x 0.85	x 1.15	x 1.25
70	15.00	0	5.0	12.8	17.3	18.8
71	15.50	0	5.1	13.2	17.8	19.4
72	16.00	0	5.3	13.6	18.4	20.0
73	16.50	0	5.4	14.0	19.0	20.6
74	17.00	0	5.6	14.5	19.6	21.3
75	17.50	0	5.8	14.9	20.1	21.9
76	18.00	0	5.9	15.3	20.7	22.5
77	18.50	0	6.1	15.7	21.3	23.1
78	19.00	0	6.3	16.2	21.9	23.8
79	19.50	0	6.4	16.6	22.4	24.4
80	20.00	0	6.6	17.0	23.0	25.0
81	20.50	0	6.8	17.4	23.6	25.6
82	21.00	0	6.9	17.9	24.2	26.3
83	21.50	0	7.1	18.3	24.7	26.9
84	22.00	0	7.3	18.7	25.3	27.5
85	22.50	0	7.4	19.1	25.9	28.1
86	23.00	0	7.6	19.6	26.5	28.8
87	23.50	0	7.8	20.0	27.0	29.4
88	24.00	0	7.9	20.4	27.6	30.0
89	24.50	0	8.1	20.8	28.2	30.0
90	25.00	0	8.3	21.3	28.8	30.0
91	25.50	0	8.4	21.7	29.3	30.0
92	26.00	0	8.6	22.1	29.9	30.0
93	26.50	0	8.7	22.5	30.0	30.0
94	27.00	0	8.9	23.0	30.0	30.0
95	27.50	0	9.1	23.4	30.0	30.0
96	28.00	0	9.2	23.8	30.0	30.0
97	28.50	0	9.4	24.2	30.0	30.0
98	29.00	0	9.6	24.7	30.0	30.0
99	29.50	0	9.7	25.1	30.0	30.0
100	30.00	0	9.9	25.5	30.0	30.0

Commissioner's Scheme Performance Award Illustrative Matrix 2018-19

Commissioner		Percentage Award by Performance Rating				
Scorecard result	% Budget	1	2	3	4	5
		x 0.0	x 0.33	x 0.85	x 1.15	x 1.25
70	25.00	0	8.3	21.3	28.8	31.3
71	25.83	0	8.5	22.0	29.7	32.3
72	26.67	0	8.8	22.7	30.7	33.3
73	27.50	0	9.1	23.4	31.6	34.4
74	28.33	0	9.4	24.1	32.6	35.4
75	29.17	0	9.6	24.8	33.5	36.5
76	30.00	0	9.9	25.5	34.5	37.5
77	30.83	0	10.2	26.2	35.5	38.5
78	31.67	0	10.5	26.9	36.4	39.6
79	32.50	0	10.7	27.6	37.4	40.6
80	33.33	0	11.0	28.3	38.3	41.7
81	34.17	0	11.3	29.0	39.3	42.7
82	35.00	0	11.6	29.8	40.3	43.8
83	35.83	0	11.8	30.5	41.2	44.8
84	36.67	0	12.1	31.2	42.2	45.8
85	37.50	0	12.4	31.9	43.1	46.9
86	38.33	0	12.7	32.6	44.1	47.9
87	39.17	0	12.9	33.3	45.0	49.0
88	40.00	0	13.2	34.0	46.0	50.0
89	40.83	0	13.5	34.7	47.0	50.0
90	41.67	0	13.8	35.4	47.9	50.0
91	42.50	0	14.0	36.1	48.9	50.0
92	43.33	0	14.3	36.8	49.8	50.0
93	44.17	0	14.6	37.5	50.0	50.0
94	45.00	0	14.9	38.3	50.0	50.0
95	45.83	0	15.1	39.0	50.0	50.0
96	46.67	0	15.4	39.7	50.0	50.0
97	47.50	0	15.7	40.4	50.0	50.0
98	48.33	0	16.0	41.1	50.0	50.0
99	49.17	0	16.2	41.8	50.0	50.0
100	50.00	0	16.5	42.5	50.0	50.0

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Remuneration Committee

Date: 18 June 2019

Item: Review of the First Year of Operation of the New TfL Performance Award Scheme for Senior Management

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This paper will be considered in public

1 Summary

1.1 The Committee agreed the new performance award framework for senior management in October 2017. At the time it was also agreed that you would revisit the new reward mechanism, involving the calibration against actual scorecard targets, their measures and their weightings to ensure that the outcomes were as intended in the first year of operating the new arrangement.

1.2 This paper provides a summary of the new arrangement and the scorecard outcomes achieved since 2011/12.

2 Recommendation

2.1 **The Committee is asked to discuss whether the new arrangement has delivered on the intended outcomes.**

3 Background

3.1 Another paper on this meeting's agenda, 'Performance Awards 2018-19' describes the framework, structure and calculation of performance awards in detail. In addition the performance award scheme guide for the Commissioner and Managing Directors is included in Appendix 1 below.

3.2 The new performance award scheme for TfL senior management was introduced at the start of the 2018-19 performance year.

3.3 The scheme uses the same framework (although with differing percentage award opportunities) for calculating performance awards across Payband 4 and 5 senior managers, directors, managing directors and the Commissioner. The scheme is based on the same business performance metrics in the form of the TfL and delivery businesses scorecards for all levels of senior management. Prior to the new scheme's introduction varying frameworks had existed and this meant that the same business performance results had significantly different impacts on performance based reward outcomes.

3.4 The core design principles agreed by the Committee in October 2017 were as follows:

(a) Alignment – the calculation of performance awards for Senior Managers, Directors, Managing Directors and the Commissioner to be under a single methodology so that each group is impacted in a similar way by TfL's performance, thereby supporting a sense of common purpose and direction;

(b)   Deliver a clear and direct link between business performance, individual performance and reward outcome;

(c)   Improve the 'line of sight' for the individual by communicating at the start of the scheme year the likely reward outcome for achieving specific levels of performance for both TfL (via the TfL or business area scorecard) and personal (via a personal performance rating);

(d)   Drive business performance by setting a clear threshold for the minimum level of performance for a performance award budget to be made available (scorecard at 70 per cent); raising the bar higher for 'on target' performance (scorecard at 85 per cent); defining and rewarding 'stretch performance' more effectively (with an increasing level of budget made available between on target performance at 85 per cent and maximum scorecard achievement at 100 per cent);

(e)   Deliver a stronger incentive whilst operating in the same 'financial envelope' as the current scheme. Accordingly, the proposed arrangements were modelled so as to fit within that budgetary amount at an on-target (85 per cent) scorecard outturn. In addition the maximum level of individual performance award was kept at existing scheme levels i.e. 15 per cent for Payband 4 and 5, 20 per cent for Directors, 30 per cent for Managing Directors and 50 per cent for the Commissioner;

(f)   Ensure there is greater differentiation in performance awards at an individual level between those delivering expected levels of performance and those delivering high performance in order to better incentivise high personal performance;

(g)   Restrict the impact of discretionary decision making to increase clarity, transparency and trust around the scheme. Performance awards are calculated against a fixed formula to deliver a consistent percentage award for all individuals at the same Payband / level with the same personal performance rating (although it should be noted that discretion remains concerning the award of an individual's performance rating); and

(h)   Simplicity – to ensure that the scheme can be readily communicated and understood and any associated administration minimised.

4   Alignment to the Scorecard

4.1   The new arrangements have been successful in aligning all senior management under TfL's key priorities outlined in the Mayor's Transport Strategy and the TfL Business Plan via the simplified TfL Scorecard. The TfL Scorecard is used to solely determine performance award budgets for those in Professional Services; and is the majority determinant of budgets (with a 60 per cent weighting) for senior management in the delivery businesses. This means that all senior management from Payband 4 through to the Commissioner have their performance based reward determined from the same performance metrics using the same methodology which in turn drives proportionate reward outcomes across all levels. The net result of this is to help drive a common sense of purpose, direction and identity.

4.2 This clarity of focus has been enhanced by the increased ability for the Commissioner to drive clear messages about our performance against the TfL Scorecard and priorities across the entire organisation in the knowledge that the senior management audience are all affected in the same way.

4.3 Publishing the performance award matrices at the start of the performance year has improved the 'line of sight' for individuals. It is easy to see for any given level of scorecard outturn and individual performance rating what the indicative percentage level of performance award would be.

4.4 With regard to the financial costs of the scheme, a key request was to deliver awards within the same 'financial envelope' as per the costs for the scheme that operated for 2015-16. Within the new model there are a number of variables that impact the overall cost/funding required including: overall headcount, salary levels, the actual performance rating distribution, the multipliers applied to the individual performance ratings and where (in terms of scorecard outturn) the thresholds are drawn to deliver the floor and on- target levels of budget.

4.5 For the start of the 2017-18 performance year a new approach to scorecards was introduced which included adopting a balanced scorecard with a simplified range of measures that were more closely aligned to the Mayor's Transport Strategy and the TfL Business Plan. The new performance award arrangement was therefore underpinned by the revised scorecards when it was introduced a year later for 2018-19.

4.6 One of the key principles for the new performance award arrangement was to 'drive business performance' by setting a clear threshold for the minimum level of performance outturn for a performance award budget to be made available; and raising the bar higher for 'on target' performance'.

4.7 Whilst this has helped with clarity and transparency these thresholds were agreed by the Committee at a separate point in time (October 2017) prior to the drafting and agreement of the TfL and delivery business scorecards for 2018-19 completed in March 2018. The performance award budget thresholds for floor (70 per cent) and on-target (85 per cent) were therefore set without calibration against the actual scorecard targets, their measures or their weightings. The table below shows the actual outturn for 2017-18 and 2018-19 and an extrapolated score for 2019-20 based on current run-rate. For all three years the outturn is in the range of 71 per cent to 75 per cent.

Quadrant Area	Target	2017/18 Final	2018/19 Final	2019/20 Modelled
Safety & Operations	25%	16.0%	22.5%	18.6%
Customer	25%	18.0%	19.1%	24.4%
People	25%	15.0%	4.7%	7.5%
Finance	25%	25.0%	25.0%	25.0%
Total	**100%**	**73%**	**71%**	**75%**

Table 1: TfL Scorecard outturn – actual for 2017-18, 2018-19 and modelled for 2019-20 based on current run-rate

4.8   By way of comparison the TfL Scorecard scores from 2011/12 prior to the introduction of the revised scorecard methodology in 2017 were as follows:

Year	TfL Scorecard Score
2011/12	88.5%
2012/13	89.0%
2013/14	83.4%
2014/15	86.6%
2015/16	88.9%
2016/17	64.4%

Table 2: TfL Scorecard outturn – actual 2011-17

4.9   For the 2020-21 Scorecard (given that 2019-20 has already been agreed and published by the Board) greater consideration needs to be given to how individual measures outturn in relation to the performance award model.

5   Discussion

5.1   The October 2017 paper agreed by the Committee concerning the new performance award arrangements provided that in the first year of operation the Committee would revisit the new reward mechanism, involving the calibration against actual scorecard targets, their measures and their weightings.

List of appendices to this report:

Appendix 1: TfL Annual Performance Award Scheme Guide – Managing Directors and Commissioner

List of Background Papers:

None

Contact Officer: Tricia Wright, Chief People Officer
Number: 020 3054 7265
Email: triciawright@tfl.gov.uk

Contact Officer: Simon Kilonback, Chief Finance Officer
Number: 020 3054 8941
Email: simonkilonback@tfl.gov.uk

Contact Officer: Stephen Field, Director of Compensation & Benefits
Number: 020 7918 3786
Email: stephenfield@tfl.gov.uk

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TfL Annual Performance Award Scheme Guide

Managing Directors & Commissioner

Date: March 2018

EVERY JOURNEY MATTERS

Welcome to your updated performance award scheme

With an ambitious Mayor's Transport Strategy and the most challenging five year business plan in our history, carefully managing and constantly improving our performance is more critical than ever.

The consistent focus we have on our scorecard allows us to track our organisational performance and our performance management process ensures that every one of you knows what part you need to play in that.

The same as any other high performing organisation, a critical element of that is how we recognise and reward individuals' contribution and differentiate our high performers. Our updated performance award framework does just that.

We have simplified the way we are going to reward you for your efforts and there will be a clearer line of sight between our overall scorecard performance and your individual contribution to our success; the budget is set by the scorecard result then your actual award is determined by your performance rating. Awards for our highest performers are now more highly differentiated compared with those who perform at a good level.

It really is that simple. Easier to understand, consistent and fairer, this updated approach will help us drive the high performance culture we need to keep our fantastic city moving, working and growing and to make life better, and be confident that everybody is being treated fairly as we do so.

Mike Brown MVO
Commissioner, Transport for London

> We have simplified the way we are going to reward you for your efforts and there will be a clearer line of sight between our overall scorecard performance and your individual contribution to our success

How does the scheme work?

The annual performance award scheme for TfL senior management aligns your reward with TfL's success. It's based on two things; how we perform against the critical priorities set out in our business scorecards, and how you personally contribute to these, as defined by your performance rating.

The scheme updates your existing performance award scheme from the 2018/19 performance year onwards.

The scheme is fair, transparent and introduces a single method of calculating performance awards from Commissioner through to payband 4. This ensures we're all aligned as a senior management team and all pulling in the same direction for the same purpose. We want the scheme to encourage high performance so a greater proportion of the available budget for performance awards will be allocated to people who achieve higher performance ratings.

How does it support high performance?

As a business we're measured on our performance against the targets set out in our scorecard. Our scheme gives you the opportunity to earn a performance award based on your personal contribution to achieving those targets during the performance year. This is assessed through your delivery of personal objectives as well as your behaviours. The greater your personal contribution the higher your personal performance rating.

The link between performance awards and our scorecards

In 2017/18, we moved to a much simpler scorecard format. It places a greater focus on the critical priorities set out in the Mayor's Transport Strategy and the TfL Business Plan within four key criteria:

- Customer
- Safety and operations
- People
- Financial

Our scorecards are the foundation for the scheme to ensure that all senior management are aligned in pursuit of our priorities.

Our performance against the targets on our scorecards determines the overall budget which we have to make performance awards.

The performance awards for everyone in Professional Services will be based on business performance measured against the TfL Scorecard only. Performance awards in the four delivery businesses will be dependent on both the TfL Scorecard (weighted 60%) and Delivery Business Scorecard (weighted 40%).

Professional Services	100% TfL Scorecard
LU Surface MPD Commercial Development	60% TfL Scorecard 40% Delivery Business Scorecard

Performance award thresholds

We have set clear scorecard performance thresholds which represent the minimum threshold or 'floor target', 'on target' and 'stretch targets' for payment of performance awards to our senior management team.

Threshold	Scorecard result
Floor target	70%
On target	85%
Stretch target	85%-100%

What does this mean?

We have defined a scorecard result of 85% as 'on target' performance. This is intended to be challenging but achievable.

The result of the TfL Scorecard must reach a minimum of 70% for any performance awards to be paid out at all. For Delivery Businesses, this means that even if their local scorecard exceeds 70% but the TfL Scorecard does not, performance awards will not be paid.

It is therefore critical that we work together as one organisation to deliver against our collective priorities. However, if the TfL Scorecard exceeds 70% but the Delivery Business Scorecard does not, then senior management in that area will still receive the element of their performance award for the TfL Scorecard result.

A scorecard result between 85% and 100% represents a 'stretch' performance and will result in the highest performance award opportunity. A combination of scorecard results at this level and a high personal performance rating will give you the highest performance award – up to 30% of your basic salary for Managing Directors and up to 50% of your basic salary for the Commissioner.

What factors will determine my performance award?

Depending on the business area you work in, either the TfL Scorecard result alone or a combination of the TfL Scorecard and your Delivery Business Scorecard result sets the budget available for performance awards. Your own contribution, in the form of your personal performance rating, determines the percentage performance award you receive from the available budget.

Each performance rating has an assigned multiplier. The calculation is done by taking the budget (as determined by the scorecard result) and then applying the multiplier which determines the percentage of your base salary you will receive as a performance award.

The award calculation looks like this:

1. The budget is set by the scorecard(s) result and expressed as a percentage

2. Your performance rating is expressed as a multiplier of that percentage

3. Your performance award is the value of the budget percentage adjusted by the performance rating multiplier and applied to your annual base salary

The multiplier figures shown are examples only and may vary in practice.

The performance award matrix

To help you understand the performance award you could achieve, we've developed a simple performance award matrix. It shows the value of the award based on the scorecard result and your personal performance rating. Whether you're in Professional Services or one of our delivery businesses, this is set out at the start of the performance year to give everyone clarity on what they could achieve.

The matrix is clear and easy to understand. It details all the potential percentage awards for all levels of individual performance against all levels of possible scorecard delivery.

Your award will be based on a fixed percentage, so you'll get the same percentage award* as everyone else that is in the same business area and with the same performance rating as you. Removing the discretionary element of deciding on individual performance awards, makes the scheme fair for everyone.

The only point at which discretion applies is in allocating your personal performance rating. Those decisions undergo a rigorous process of calibration as part of the performance management system.

How to find your award percentage

To find your performance award percentage, you simply take the relevant scorecard result from the left hand column of the matrix and read down from your personal performance rating at the top. Where the two cells meet is your performance award percentage.

The multipliers used in the current matrix have been set so that individuals achieving a high performance rating of 4 or 5 can potentially achieve the maximum personal performance award of 30% at a point below the maximum scorecard result. For example, a scorecard result of 93% and a performance rating of 4 will deliver the maximum 30% individual award whilst a (lower) scorecard result of 88% combined with a (higher) personal performance rating of 5 also delivers the maximum award, thereafter awards are capped at the maximum opportunity of 30%. This ensures managing directors can achieve the maximum level of award for their contribution whilst keeping the scheme within the available budget.

To ensure the scheme remains financially sustainable and within the overall fixed budget amount, the performance award multipliers in the matrix may need to be adjusted up or down at the end of the year once we know the final performance rating distribution. However, if this happens, we do not expect there to be a significant adjustment. The final levels for awards are expected to be similar to, if not the same as, those published at the start of the year.

* Please note that the values in the matrix assume full-year participation. There will be instances where the award paid does not reflect these values due to pro rata calculations. For example, if you have been promoted to managing director level midway through the performance year.

The performance award matrix explained

1. A minimum scorecard threshold of 70% is set which delivers the minimum percentage budget, e.g. 15%.

2. Each performance rating has a multiplier associated with it. The multiplier is applied against the budget amount to calculate the individual percentage award.

Managing Directors		Percentage Award by Performance Rating				
Scorecard result	% Budget	1	2	3	4	5
		x 0.0	x 0.33	x 0.85	x 1.15	x 1.25
70	15.00	0	5.0	12.8	17.3	18.8
71	15.50	0	5.1	13.2	17.8	19.4
72	16.00	0	5.3	13.6	18.4	20.0
73	16.50	0	5.4	14.0	19.0	20.6
74	17.00	0	5.6	14.5	19.6	21.3
75	17.50	0	5.8	14.9	20.1	21.9
76	18.00	0	5.9	15.3	20.7	22.5
77	18.50	0	6.1	15.7	21.3	23.1
78	19.00	0	6.3	16.2	21.9	23.8
79	19.50	0	6.4	16.6	22.4	24.4
80	20.00	0	6.6	17.0	23.0	25.0
81	20.50	0	6.8	17.4	23.6	25.6
82	21.00	0	6.9	17.9	24.2	26.3
83	21.50	0	7.1	18.3	24.7	26.9
84	22.00	0	7.3	18.7	25.3	27.5
85	22.50	0	7.4	19.1	25.9	28.1
86	23.00	0	7.6	19.6	26.5	28.8
87	23.50	0	7.8	20.0	27.0	29.4
88	24.00	0	7.9	20.4	27.6	30.0
89	24.50	0	8.1	20.8	28.2	30.0
90	25.00	0	8.3	21.3	28.8	30.0
91	25.50	0	8.4	21.7	29.3	30.0
92	26.00	0	8.6	22.1	29.9	30.0
93	26.50	0	8.7	22.5	30.0	30.0
94	27.00	0	8.9	23.0	30.0	30.0
95	27.50	0	9.1	23.4	30.0	30.0
96	28.00	0	9.2	23.8	30.0	30.0
97	28.50	0	9.4	24.2	30.0	30.0
98	29.00	0	9.6	24.7	30.0	30.0
99	29.50	0	9.7	25.1	30.0	30.0
100	30.00	0	9.9	25.5	30.0	30.0

3. A scorecard result of 85% has been set as the 'on-target' level. It delivers a budget of 22.5%. An individual with a performance rating of 4 would receive a fixed performance award of 25.9% whilst an individual rated as 3 would receive a performance award of 19.1%.

4. Above 85% represents 'stretch performance'. The budget increases in-line with the increased scorecard result to a maximum budget of 30% at 100% out-turn.

Examples from the Annual Performance Award Scheme 2018/19 matrix

How does this calculation work?

If you're in Professional Services, the performance award budget is determined by the TfL Scorecard only. If you work in one of our four delivery businesses, then the budget is determined by a combination of the TfL Scorecard (60%) and the Delivery Business Scorecard (40%).

Professional Services calculation examples (single scorecard)

All calculations assume a base salary of £230,000.

Assumptions

TfL Scorecard result **80%**

Performance rating **3**

Calculation

Salary £230,000 x 17.0% = **£39,100**

Assumptions

TfL Scorecard result **90%**

Performance rating **5**

Calculation

Salary £230,000 x 30.0% = **£69,000**

Managing Directors		Percentage Award by Performance Rating				
Scorecard result	% Budget	1	2	3	4	5
		x 0.0	x 0.33	x 0.85	x 1.15	x 1.25
70	15.00	0	5.0	12.8	17.3	18.8
71	15.50	0	5.1	13.2	17.8	19.4
72	16.00	0	5.3	13.6	18.4	20.0
73	16.50	0	5.4	14.0	19.0	20.6
74	17.00	0	5.6	14.5	19.6	21.3
75	17.50	0	5.8	14.9	20.1	21.9
76	18.00	0	5.9	15.3	20.7	22.5
77	18.50	0	6.1	15.7	21.3	23.1
78	19.00	0	6.3	16.2	21.9	23.8
79	19.50	0	6.4	16.6	22.4	24.4
80	20.00	0	6.6	17.0	23.0	25.0
81	20.50	0	6.8	17.4	23.6	25.6
82	21.00	0	6.9	17.9	24.2	26.3
83	21.50	0	7.1	18.3	24.7	26.9
84	22.00	0	7.3	18.7	25.3	27.5
85	22.50	0	7.4	19.1	25.9	28.1
86	23.00	0	7.6	19.6	26.5	28.8
87	23.50	0	7.8	20.0	27.0	29.4
88	24.00	0	7.9	20.4	27.6	30.0
89	24.50	0	8.1	20.8	28.2	30.0
90	25.00	0	8.3	21.3	28.8	30.0

Delivery Business calculation examples (dual scorecard approach)

All calculations assume a base salary of £230,000.

Assumptions

TfL Scorecard result **90%**

Delivery Business Scorecard result **80%**

Performance rating **3**

60:40 weighting:

(21.3 x 0.6) + (17.0 x 0.4)

19.58%

Calculation
Salary £230,000 x 19.58% =
£45,034

Assumptions

TfL Scorecard result **90%**

Delivery Business Scorecard result **80%**

Performance rating **5**

60:40 weighting:

(30.0 x 0.6) + (25.0 x 0.4)

28.0%

Calculation
Salary £230,000 x 28.0% =
£64,400

Assumptions

TfL Scorecard result **75%**

Delivery Business Scorecard result **85%**

Performance rating **5**

60:40 weighting:

(21.9 x 0.6) + (28.1 x 0.4)

24.38%

Calculation
Salary £230,000 x 24.38% =
£56,074

Quick-fire Q&A

Why have we updated the performance award scheme?

- To make it fairer and more transparent we have removed any discretionary decision making around performance awards
- To give individuals more control by basing it on their personal performance rating
- To ensure higher performers are rewarded more appropriately
- To drive collaboration and collective responsibility, by linking it to the scorecards
- To ensure everyone is focused on the same priorities by aligning all senior management in the same scheme design so that our business performance impacts all senior management in the same way
- To link your performance award to the delivery of the Mayor's Transport Strategy and the TfL Business Plan

Q. Has the budget for performance awards changed for 2018/19?

A. The budget hasn't changed. What has changed is the way we distribute awards from the available budget. In particular, the increased differentiation in awards for our highest performers.

Performance award matrix 2018/19

Below is the matrix for the 2018/19 scheme. The performance award matrix is based on the overall scheme budget and actual performance rating distribution for the year.

Remember, the performance award multipliers in the matrix may need to be adjusted at the end of the year once we know the final performance rating distribution to ensure we stay within our budget. However, if this happens, we do not expect there to be a significant adjustment. So the final levels for awards are expected to be similar to, if not the same as, those below published at the start of the year.

Managing Directors

Managing Directors		Percentage Award by Performance Rating				
Scorecard result	% Budget	1	2	3	4	5
		x 0.0	x 0.33	x 0.85	x 1.15	x 1.25
70	15.00	0	5.0	12.8	17.3	18.8
71	15.50	0	5.1	13.2	17.8	19.4
72	16.00	0	5.3	13.6	18.4	20.0
73	16.50	0	5.4	14.0	19.0	20.6
74	17.00	0	5.6	14.5	19.6	21.3
75	17.50	0	5.8	14.9	20.1	21.9
76	18.00	0	5.9	15.3	20.7	22.5
77	18.50	0	6.1	15.7	21.3	23.1
78	19.00	0	6.3	16.2	21.9	23.8
79	19.50	0	6.4	16.6	22.4	24.4
80	20.00	0	6.6	17.0	23.0	25.0
81	20.50	0	6.8	17.4	23.6	25.6
82	21.00	0	6.9	17.9	24.2	26.3
83	21.50	0	7.1	18.3	24.7	26.9
84	22.00	0	7.3	18.7	25.3	27.5
85	22.50	0	7.4	19.1	25.9	28.1
86	23.00	0	7.6	19.6	26.5	28.8
87	23.50	0	7.8	20.0	27.0	29.4
88	24.00	0	7.9	20.4	27.6	30.0
89	24.50	0	8.1	20.8	28.2	30.0
90	25.00	0	8.3	21.3	28.8	30.0
91	25.50	0	8.4	21.7	29.3	30.0
92	26.00	0	8.6	22.1	29.9	30.0
93	26.50	0	8.7	22.5	30.0	30.0
94	27.00	0	8.9	23.0	30.0	30.0
95	27.50	0	9.1	23.4	30.0	30.0
96	28.00	0	9.2	23.8	30.0	30.0
97	28.50	0	9.4	24.2	30.0	30.0
98	29.00	0	9.6	24.7	30.0	30.0
99	29.50	0	9.7	25.1	30.0	30.0
100	30.00	0	9.9	25.5	30.0	30.0

Commissioner

Commissioner		Percentage Award by Performance Rating				
Scorecard result	% Budget	1	2	3	4	5
		x 0.0	x 0.33	x 0.85	x 1.15	x 1.25
70	25.00	0	8.3	21.3	28.8	31.3
71	25.83	0	8.5	22.0	29.7	32.3
72	26.67	0	8.8	22.7	30.7	33.3
73	27.50	0	9.1	23.4	31.6	34.4
74	28.33	0	9.4	24.1	32.6	35.4
75	29.17	0	9.6	24.8	33.5	36.5
76	30.00	0	9.9	25.5	34.5	37.5
77	30.83	0	10.2	26.2	35.5	38.5
78	31.67	0	10.5	26.9	36.4	39.6
79	32.50	0	10.7	27.6	37.4	40.6
80	33.33	0	11.0	28.3	38.3	41.7
81	34.17	0	11.3	29.0	39.3	42.7
82	35.00	0	11.6	29.8	40.3	43.8
83	35.83	0	11.8	30.5	41.2	44.8
84	36.67	0	12.1	31.2	42.2	45.8
85	37.50	0	12.4	31.9	43.1	46.9
86	38.33	0	12.7	32.6	44.1	47.9
87	39.17	0	12.9	33.3	45.0	49.0
88	40.00	0	13.2	34.0	46.0	50.0
89	40.83	0	13.5	34.7	47.0	50.0
90	41.67	0	13.8	35.4	47.9	50.0
91	42.50	0	14.0	36.1	48.9	50.0
92	43.33	0	14.3	36.8	49.8	50.0
93	44.17	0	14.6	37.5	50.0	50.0
94	45.00	0	14.9	38.3	50.0	50.0
95	45.83	0	15.1	39.0	50.0	50.0
96	46.67	0	15.4	39.7	50.0	50.0
97	47.50	0	15.7	40.4	50.0	50.0
98	48.33	0	16.0	41.1	50.0	50.0
99	49.17	0	16.2	41.8	50.0	50.0
100	50.00	0	16.5	42.5	50.0	50.0

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Remuneration Committee

Date: 18 June 2019

Item: Members' Suggestions for Future Discussion Items

This paper will be considered in public

1 Summary

1.1 This paper presents the current forward programme for the Committee and explains how this is put together. Members are invited to suggest additional future discussion items for the forward plan. Members are also invited to suggest items for the Committee's induction session and for future informal briefings.

2 Recommendation

2.1 **The Committee is asked to note the forward programme and is invited to raise any suggestions for future discussion items for the forward plan and for informal briefings.**

3 Forward Plan Development

3.1 The Board and its Committees and Panels have forward plans. The content of the plans arise from a number of sources:

(a) Standing items for each meeting: Minutes; Matters Arising and Actions List.

(b) Regular items (annual, half-year or quarterly) which are for review and approval or noting as specified in the Terms of Reference: Examples include the annual consideration of pay and performance awards for the staff listed in the terms of reference and regular reports on remuneration on a pan-TfL basis, pay gaps and TfL's approach to talent management and succession planning.

(c) Items requested by Members: The Chairs Coordination Group will regularly review the forward plans and may suggest items. Other items will arise out of actions from previous meetings (including meetings of the Board or other Committees and Panels) and any issues suggested under this agenda item.

4 Current Plan

4.1 The current plan is attached as Appendix 1. Like all plans, it is a snapshot in time and items may be added, removed or deferred to a later date.

List of appendices to this report:

Appendix 1: Remuneration Committee Forward Plan.

List of Background Papers:

None

Contact Officer: Howard Carter, General Counsel
Number: 020 3054 7832
Email: HowardCarter@tfl.gov.uk

Remuneration Committee Forward Planner 2019/20

Membership: Ben Story (Chair), Kay Carberry CBE (Vice Chair), Heidi Alexander and Ron Kalifa OBE

11 July 2019		
Any outstanding issues from the items discussed in June 2019	Commissioner	
TfL Remuneration	Chief People Officer	Annual update on remuneration on a pan-TfL basis including base pay and performance awards.
Talent Management and Succession Planning	Chief People Officer	Annual update, including plans for members of the Executive Committee.
Workforce planning	Chief People Officer	Mapping out the staff talent and specialisms that TfL needed now and in the future to meet its delivery needs, including the numbers of contractors/agency staff
Compliance training	Chief People Officer	Benchmarking data on the mandatory training on compliance issues across TfL (e.g. Health and Safety, Diversity and Inclusion, Fraud Awareness) listing the training and the compliance rate.

6 November 2019		
TfL Remuneration	Chief People Officer Commissioner	Annual update on remuneration on a pan-TfL basis including base pay and performance awards.
Leadership Foundation	Chief People Officer	To note an outline of the proposed programme.

5 February 2020		
Pay Gap Analysis	Chief People Officer	Update based on 2018/19 data sets
Executive Committee Remuneration benchmarking	Chief People Officer	Proposals for the peer group and format of the 2020 Executive Committee Remuneration benchmarking Report, ahead of a paper to the next meeting.

As at 10 June 2019

Regular items each year
- Executive Committee Remuneration benchmarking
- TfL Performance Delivery and Performance Awards
- TfL Remuneration
- Pay Gap Analysis
- Talent Management and Succession Planning

Items to be programmed
- Salary for any person proposed to be appointed as an Officer of TfL with an annual basic salary of £100,000 or more.

As at 10 June 2019