

Date: 27 March 2014

Item 6: TfL Performance Awards

This paper will be considered in public

1 Summary

- 1.1 This paper outlines the different performance related reward schemes that are currently in operation across TfL. These schemes variously reward employees below the level of Director, based on measures of organisational, business area or individual performance.

2 Recommendation

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

3 Senior Manager Reward Framework

- 3.1 The Senior Manager Reward Framework (SMRF) is TfL's annual performance related reward scheme for senior managers. The framework provides for performance to be recognised by the use of non-consolidated performance awards. A separate base pay budget is also made available to enable directors to recognise an individual's overall value to the organisation.
- 3.2 Senior manager employees (defined as employees undertaking roles at Pay Bands 4 and 5 and LU Business Managers and General Managers, Grades BMK0 – GMU0) are eligible to receive a performance award opportunity of 0-15 per cent of base salary, with a target award of five per cent. Performance award payments are based on a Business Performance Index score related to the combination of TfL group, modal and individual performance measures.
- 3.3 Performance Awards for Senior Managers are allocated from a budget given to each business area. The budget is calculated using an assessment of two factors: TfL scorecard performance and business area scorecard performance. The individual performance of a Senior Manager (i.e. their performance rating) then determines the individual level of award within that budget.
- 3.4 All business area budgets are set at a target level of five per cent. Target performance (75 per cent) on the overall TfL scorecard must be achieved in order for the full five per cent budget to be awarded.
- 3.5 Each business area budget is driven by the scorecard result for that area and this determines the degree that the target budget (five per cent) can be increased or decreased from the target level. The budget can be increased to

a maximum of 7.5 per cent or decreased to a notional minimum of 1.5 per cent.

3.6 Directors are able to allocate individual awards to Senior Managers from the available budget. Individual performance awards can be made to the value of up to 200 per cent of the available budget dependent on the performance of the employee. (I.e. the maximum award is 15 per cent – 200 per cent of the maximum budget of 7.5 per cent.)

3.7 Average Performance Awards (per cent) – Previous Five Years

	2009	2010	2011	2012	2013*
Payband 4	5.3%	5.5%	5.1%	6.3%	7.7%
Payband 5	5.9%	6.1%	5.9%	7.1%	8.7%
Senior Manager Combined	5.4%	5.6%	5.2%	6.5%	7.9%

* Additional budget was made available in 2013 to recognise Olympic delivery

4 Performance Related Pay (PRP)

4.1 Performance Related Pay (PRP) is TfL's method of rewarding non operational employees, below senior manager level, for their contribution in achieving business goals through individual objectives.

4.2 PRP provides for a consolidated increase to base salary to be made in instances where an employee has demonstrated achievement of their objectives, as measured by the Performance Management process. Higher levels of consolidated increase are available to employees who demonstrate higher levels of performance.

4.3 PRP is applicable to all permanent and fixed term contract employees undertaking roles at the following grades:

- (a) TfL Pay Bands 1 (Over Threshold)
- (b) TfL Pay Bands 2 and 3
- (c) LU Support Managers (SMD0-SMF1)
- (d) LU Managers (MMG0-MMJ1)

This covers approximately 8,500 employees.

4.4 The PRP budget is set following the conclusion of the negotiations between TfL and its recognised trade unions and London Underground and its recognised trade unions. The agreed pay award figure will act as the PRP budget and all PRP awards for that year are made from that budget.

4.5 Recent practice has been to match the PRP award given to those employees who have received a rating of '3 – Fully Matched Performance Required' to the level of the negotiated pay award for that year.

4.6 All PRP awards are made using the available budget. Where enhanced levels of award are made to those employees receiving higher performance ratings (4 or 5) this is currently offset against no payment being made to those

receiving lower performance ratings (1 or 2). Differentiation of awards within the PRP budget is made at the discretion of the organisation and is determined by the overall distribution of performance ratings.

4.7 The effective date of PRP awards will be dependent on whether an employee is employed within TfL or London Underground.

(a) TfL employees are subject to an effective date of 1st April; and

(b) London Underground employees are subject to an effective date of 1st July

4.8 Revised Pay for Performance proposals for staff in TfL below Senior Manager level are currently being consulted on with TfL's recognised Trade Unions. These proposals, which include the introduction of non consolidated performance awards as the primary method of recognising performance, are intended to develop a high performance culture that better recognises and rewards good and excellent performance.

4.9 PRP Awards by performance rating – Previous five Years

Performance Rating Achieved	TfL				London Underground		
	3	4	5		3	4	5
2009	1.5%	2.0%	2.8%		1.5%	2.0%	2.8%
2010	4.2%	5.0%	6.0%		4.2%	5.0%	6.0%
2011	6.0%	6.75%	7.5%		6.0%	6.75%	7.5%
2012	4.2%	4.7%	5.2%		4.2%	4.7%	5.2%
2013	3.2%	3.7%	4.7%		3.7%	4.2%	5.2%

5 Part Performance Related Pay

5.1 Part Performance Related Pay (Part PRP) forms part of the main PRP scheme but is specifically applicable to employees undertaking roles in certain London Underground grades (listed in 4.2). Employees in these grades are eligible to receive the London Underground 'cost of living' negotiated pay award. Part PRP also entitles these employees to receive the enhanced PRP award given for performance ratings (4 or 5), should they achieve them. Unlike, the main PRP scheme, employees eligible for Part PRP are guaranteed a minimum level of pay award, regardless of performance.

5.2 Part PRP is applicable to all permanent and fixed term contract employees undertaking roles at the following grades:

- (a) Higher Administrative grades;
- (b) Higher Technical Grade;
- (c) Support Manager grades; and
- (d) Operational Managers.

Part PRP covers approximately 2,100 employees.

6 London Underground Customer Satisfaction Score Bonus

- 6.1 The London Underground Customer Satisfaction Score (CSS) bonus is a non-contractual, discretionary arrangement operated only by London Underground.
- 6.2 The CSS bonus is calculated based on quarterly operational performance against target in London Underground. A further potential bonus is available based on overall annual performance. Although the bonus is calculated on a quarterly basis, the bonus is not earned by or paid to employees until the performance year is completed.
- 6.3 Each quarter, London Underground measures its customer satisfaction survey (CSS) score. If the score equals or exceeds the published target, all eligible staff qualify for a £100 bonus, related to that period. In addition, if London Underground achieves or exceeds the target score in each of the four quarters, then employees are eligible for an additional £100 bonus. The maximum bonus opportunity available is therefore £500 (i.e 4 x £100 quarterly figures, plus a further £100 annual amount).
- 6.4 All permanent staff employed by LU are eligible for the bonus, excluding those covered by the Senior Manager Reward Framework (SMRF). This covers approximately 15,500 employees.

List of appendices to this report:

None

List of Background Papers:

None

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