People and Remuneration Committee

Date: **19 November 2025**

Item: **Proposal to Introduce 'Guided Discretion' for Chief Officer and Senior Management Performance Awards**

This paper will be considered in public

1 Summary

1.1 The Terms of Reference for the Committee include responsibility for remuneration approvals as follows:

(a) the Committee will determine the level of any annual performance award for the Commissioner within the parameters of the performance award arrangements in their contract of employment, taking into account the TfL Scorecard outcome as agreed by the Audit and Assurance Committee; and

(b) the Committee will consider the Commissioner's recommendations for annual performance awards proposed for the roles under the Committee's remit.

1.2 This paper sets out a proposal to adapt how performance awards will be determined for the 2025/26 performance year onwards by introducing a 'guided discretion' approach to the allocation of the percentage of the performance award by using a percentage range for each performance rating.

2 Recommendation

2.1 **The Committee is asked to note the paper and agree the proposal to introduce guided discretion for Chief Officer and Commissioner performance awards for the current 2025/26 performance year, as described in this paper.**

3 Current Approach to Determining Chief Officer and Commissioner Performance Awards

3.1 The TfL Scorecard determines the annual performance award budget. For example, for Chief Officers an 'On-Target' scorecard performance of 75 per cent delivers a total performance award budget of 22.5 per cent (of Chief Officer base pay). This budget amount is fixed and cannot be exceeded during the process of allocating individual awards.

3.2 Individual performance awards are directly linked to an individual's performance rating, as set out in Appendix 1.

3.3 The Committee decides whether to support the Commissioner's performance rating recommendations for the Chief Officers and determines the performance rating for the Commissioner.

3.4 A multiplier for each rating is determined by the TfL Reward team modelling the performance rating distribution against the available budget to establish a 'best fit' position, ensuring that total spend on performance awards is kept within budget.

3.5 The rating multiplier is applied to the performance award budget to define the percentage award for each of the performance ratings.

3.6 The percentage award is fixed for each performance rating – all colleagues within the same scheme with the same performance rating receive the same percentage award applied to their base salary. Ordinarily no discretion is applied to vary that percentage award and discretion sits with the allocation of the performance rating only.

4 Rationale for Changing to a Guided Discretion Approach

4.1 For the current performance year, 2025/26, the number of performance ratings have been reduced to three from four. This would have a greater averaging impact on performance awards allocated with a significant majority (75 per cent) likely to receive the same percentage outcome based on the anticipated rating distribution for the 'I am Succeeding' rating.

4.2 Applying discretion enables more effective use of our performance-based reward budget. In a system where performance is being assessed in broad categories having the ability to vary the level of award within a rating group enables a more nuanced approach to rewarding individual performance. If used properly this can lead to fairer outcomes based on actual contribution/impact as well as more effective management of 'total cash compensation' for an individual.

4.3 For the 2025 annual pay review we reverted to a process of discretionary base pay increases from a fixed budget at senior management level. This returned us to the position pre-coronavirus pandemic when a discretionary methodology to budget distribution for base pay had always applied.

4.4 It is, therefore, appropriate that in conjunction with the transition to discretionary base pay increases and the reduction in the number of performance ratings we also move to a discretionary approach for performance awards.

4.5 We are proposing the adoption of 'guided discretion' in determining the percentage of any award helping to ensure that all recommendations are kept proportionate.

5 The Proposed Guided Discretion Approach – Summary

5.1 Currently, performance awards across all senior management (including the Chief Officers and the Commissioner) are determined by the award of a performance rating from one to three linked to a fixed percentage performance award outcome.

5.2 The proposed approach will enable differentiation of individual contribution within the same broad performance rating category by allowing the accountable people leader to select a percentage award from a 'guide range' for a given performance rating. The guide range will be developed by the Reward team through modelling relevant factors to determine an appropriate percentage spread. The accountable people leader will need to manage their decisions on award allocation across their team to ensure that they do not exceed the available financial budget.

5.3 Allocating the percentage value directly to an individual in this way also allows greater potential to balance the annual 'total cash' proposition for an individual by considering any base pay increase along with the performance award that is being allocated. This facilitates a more nuanced and effective compensation management approach, having a greater potential impact on individuals for the same overall scheme cost.

5.4 There is no change to the maximum performance awards being proposed or increase in budget allocated. Performance award budgets are determined by TfL's business scorecard performance and this methodology would remain unchanged. The guided discretion would work within the total budget available under the existing approach.

6 How the Proposed Guided Discretion for Chief Officer and Commissioner Performance Awards Would Operate

6.1 In keeping with the existing methodology, the TfL Scorecard will determine the annual performance award budget. For example, for Chief Officers an 'On-Target' scorecard performance of 75 per cent will continue to deliver a total performance award budget of 22.5 per cent (of Chief Officer base pay). This budget amount will be fixed and cannot be exceeded during the process of allocating individual awards.

6.2 An appropriate range of multiplier for each performance rating will be modelled by the TfL Reward team using the actual performance rating distribution, available budget and current salaries. Applying this range of multiplier against the available budget will determine the percentage guide range for each rating. An indicative example of this is set out in Appendix 2.

6.3 The Commissioner will propose the actual percentage award for each Chief Officer from the guided range, ensuring that once all allocations are made the total budget is not exceeded.

6.4 The Committee will consider both the performance rating and performance award percentage recommended by the Commissioner.

6.5 The Committee will be presented with a similar guide range for the Commissioner's performance award and along with the performance rating will be asked to also consider the percentage award to apply.

7 Proposal to Introduce Guided Discretion for Directors and Senior Managers (Payband 4 and 5)

7.1 It is TfL's intention to adopt the same process for allocating performance awards across the wider senior management population including Directors and Payband 4 and 5 senior managers.

7.2 The TfL Reward team would use the same method to define a percentage range of award for each performance rating for Directors and senior managers. Indicative examples are set out in Appendix 3.

List of appendices to this report:

Appendix 1: Current Chief Officer Performance Award Matrix (2024/25)
Appendix 2: Indicative example of the proposed Chief Officer performance award matrix using a guided discretion approach
Appendix 3: Indicative examples of the proposed Director and senior manager performance award matrices using a guided discretion approach

List of Background Papers:

None

Contact Officer: Sue Taylor, Director People (Ops), ER & Reward
Email: Sue.Taylor@tube.tfl.gov.uk

Contact Officer: Fiona Brunskill, Chief People Officer
Email: FionaBrunskill@tfl.gov.uk

Appendix 1: Current Chief Officer Performance Award Matrix

Examples from the Annual Performance Award Scheme 2024/25 matrix

1. A minimum scorecard threshold of 60 per cent is set – this delivers the minimum percentage budget of 18 per cent.
2. Each performance rating has a multiplier associated with it. The multiplier is applied against the budget amount to calculate the individual percentage award.
3. A scorecard result of 75 per cent has been set as the 'on target' level – this delivers a budget of 22.5 per cent. An individual with a performance rating of 'I am advancing' would receive a fixed performance award of 24.8 per cent, while an individual rated as 'I am succeeding'* would receive a performance award of 16.9 per cent.
4. Above 75 per cent represents 'stretch performance'. The budget increases in line with the increased scorecard result to a maximum budget of 30 per cent at a scorecard result of 100 per cent.

Chief Officer		Percentage award by performance rating			
Scorecard result	% Budget	I am being supported	I am succeeding*	I am advancing	I am exceeding
		x0.33	x0.75	x1.10	x1.30
60	18.00	5.9	13.5	19.8	23.4
61	18.30	6.0	13.7	20.1	
62	18.60	6.1	14.0	20.5	24.2
63	18.90	6.2	14.2	20.8	24.6
64	19.20	6.3	14.4	21.1	25.0
65	19.50	6.4	14.6	21.5	25.4
66	19.80	6.5	14.9	21.8	25.7
67	20.10	6.6	15.1	22.1	26.1
68	20.40	6.7	15.3	22.4	26.5
69	20.70	6.8	15.5	22.8	26.9
70	21.00	6.9	15.8	23.1	27.3
71	21.30	7.0	16.0	23.4	27.7
72	21.60	7.1	16.2	23.8	28.1
73	21.90	7.2	16.4	24.1	28.5
75	22.50	7.4	16.9	24.8	29.3
76	22.80	7.5	17.1	25.1	29.6
77	23.10	7.6	17.3	25.4	30.0

Notes

- The 'On-Target' scorecard result of 75 per cent leads to a total budget of 22.5 per cent.
- Each performance rating has a fixed percentage performance award e.g. All Chief Officers rated as 'I am Succeeding' would receive a performance award of 16.9 per cent using this model.

Appendix 2: Indicative example of the proposed Chief Officer performance award matrix using a guided discretion approach

Scorecard result	**75**					
Rating	Assumed Rating Distribution	Budget %	Performance Multiplier Range		Performance Award % Range	
			Range Min	Range Max	Range Min	Range Max
Supported	0%	22.50%	0.00	0.40	0.0%	9.0%
Succeeding	75%	22.50%	0.50	1.00	11.3%	22.5%
Exceptional	25%	22.50%	1.10	1.33	24.8%	30.0%

Notes

- The above example is indicative only. Actual performance award percentage ranges would be modelled annually based on actual scorecard result, performance rating distribution and current salaries for the relevant year.
- The example model is based on an assumed 'On-Target' scorecard result of 75 per cent and a rating distribution split 75:25 Succeeding and Exceptional (with no Supported ratings).
- The 'Performance Award % Range' outlines the Minimum and Maximum parameters for the guided discretion. For those rated as 'I am Succeeding' it is anticipated that there would be different percentage performance awards allocated to Chief Officers ranging between 11.3 per cent and 22.5 per cent. It should be noted that in this model the budget would not support the use of the maximum award of 22.5 per cent for all incumbents with a Succeeding rating.
- The current scheme maximum Chief Officer performance award of 30 per cent is adhered to and would only be delivered by allocation of the Exceptional rating and decision to award the maximum percentage from the range for that rating.

Appendix 3: Indicative examples of the proposed Director and senior manager performance award matrices using a guided discretion approach

Directors

Scorecard result	**75**					
Rating	Rating distribution	Budget %	Performance Multiplier		Performance Award %	
			Min	Max	Min	Max
Supported	5%	15.00%	0.00	0.40	0.0%	6.0%
Succeeding	75%	15.00%	0.50	1.00	7.5%	15.0%
Exceptional	20%	15.00%	1.10	1.33	16.5%	20.0%

Senior Managers

Scorecard result	**75**					
Rating	Rating distribution	Budget %	Performance Multiplier		Performance Award %	
			Min	Max	Min	Max
Supported	5%	7.50%	0.00	0.50	0.0%	3.8%
Succeeding	75%	7.50%	0.70	1.15	5.3%	8.6%
Exceptional	20%	7.50%	1.35	2.00	10.1%	15.0%

- This use of different performance multipliers for Senior Managers compared with Directors and Chief Officers reflects the different budget calculation methods. Director and Chief Officer budgets we work within are set at 75 per cent of the max award (15 per cent and 22.5 per cent respectively) whereas the budget for senior managers we work within is set at 50 per cent of the max award (7.5 per cent). The multipliers are therefore established in such a way so that the scheme maximum individual performance award is still potentially achievable despite the budgetary restrictions (e.g. a 2.0 x multiplier for Exceptional rating for senior managers will potentially deliver the scheme max individual 15 per cent award).