

Date: 13 June 2018

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

This paper will be considered in public

1 Summary

- 1.1 This paper informs the Committee of progress against actions agreed at previous meetings (Appendix 1) and of three issues that were agreed under delegated authority.

2 Recommendation

- 2.1 **The Committee is asked to note the Actions List and its revised Terms of Reference.**

3 Use of Delegated Authority

Remuneration Committee Terms of Reference

- 3.1 Following consultation with the members of the Committee, revised Terms of Reference have been approved by the Deputy Chair of TfL under authority delegated by the Board on 9 November 2017, as set out in Appendix 2.
- 3.2 For clarity, paragraphs 10 and 11 of the revised Terms of Reference relate to the Committee receiving regular reports on pay gaps and talent management and succession planning. This is not intended to supersede the broader human resources role of the Safety, Sustainability and Human Resources Panel. To the extent that any overlap arises, the Chairs of this Committee and the Panel will consider and agree which meeting is most appropriate to take the lead.

2017-18 Performance Award calculation relating to Managing Directors and Directors in Professional Services

- 3.3 On 4 April 2018, following consultation with the members of the Committee, the Chair approved the proposals set out in Appendix 4 for how the 2017-18 performance award calculation for the roles specified should be adjusted if TfL's performance delivery for 2017-18 warrants the payment of awards.
- 3.4 The use of Chair's Action was considered appropriate as a decision on the calculation method was required around the end of the Financial Year to enable performance award proposals to be submitted to this meeting of the Committee.

New Performance Award Scheme for Senior Managers in 2018/19

- 3.5 On 4 April 2018, following consultation with the members of the Committee, the Chair approved the weighting to be applied between the delivery business scorecard (40 per cent) and the TfL scorecard (60 per cent) for each of the four delivery businesses – London Underground, Surface Transport, Major Projects and Commercial Development. It also approved the calculation method to be applied where two scorecards would be used to determine performance awards. Further details are set out in Appendix 4.
- 3.6 The use of Chair's Action was considered appropriate as a decision on the new performance award scheme was required by the end of the Financial Year to enable the scheme to be implemented from 1 April 2018.

List of appendices to this report:

- Appendix 1: Actions List
Appendix 2: Remuneration Committee Terms of Reference
Appendix 3: 2017-18 Performance Award calculation relating to Managing Directors and Directors in Professional Services
Appendix 4: New Performance Award Scheme for Senior Managers in 2018/19

List of Background Papers:

Minutes of previous meetings of the Committee

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Remuneration Committee Actions List (reported to the meeting on 13 June 2018)

Actions arising from the meeting held on 2 October 2017.

Minute No.	Description	Action By	Target Date	Status note
16/10/17	<p>Crossrail Limited – Appointment of Non-executive Chairman The Board and its Programmes and Investment Committee received regular updates on the progress of the project and its transition to TfL, with the Committee also getting updates from the CRL Sponsor Board meetings. Members requested that further consideration be given to providing visibility and assurance to the Board on the key issues and risks with the project and how governance would be transferred from CRL into TfL.</p>	Mike Brown MVO and Howard Carter	January 2018	Completed. The Board and the Programmes and Investment Committee continue to receive regular reports. The Board had a deep dive briefing on the progress of the project. A paper on the governance and assurance process around Crossrail transition was considered by the Audit and Assurance Committee in December 2017.
18/10/17	<p>Date of Next Meeting The Committee agreed that a further meeting should be scheduled for January 2018.</p>	Secretariat	Dec 2017	Completed. A meeting was arranged but subsequently not required.

Actions arising from previous meetings

Minute No.	Description	Action By	Target Date	Status note
07/07/17 (1)	Performance Awards: Attracting and retaining staff The Chair of the Committee would discuss with the Chair of TfL issues with the trade-offs between the need to show pay restraint and to attract and retain key staff in a highly competitive market. TfL's Transformation programme would see the scope and responsibilities of many roles expanded and there was a risk that TfL could lose talent as benchmarking demonstrated that some people were able to command far higher remuneration packages elsewhere.	Chair	13 June 2018	An update will be provided at the meeting.
07/07/17 (2)	Performance Awards: Revised Terms of Reference The Committee asked that its terms of reference be reviewed, so that it considered wider strategic issues around TfL's remuneration structure. This would include benchmarking, skill sets and gaps, talent management, equality and inclusion at senior levels and the ability to attract and retain key staff.	Howard Carter	February 2018	Completed. Following consultation with Committee members, the Deputy Chair of TfL approved revised Terms of Reference under authority delegated by the Board on 9 November 2017. (Appendix 2)
07/07/17 (3)	Performance Awards: Safety Metrics Going forward, the new performance award regime tied to the TfL Scorecard should ensure that safety metrics were properly incentivised, with anyone falling below the required standard automatically being ineligible for that proportion of their Scorecard performance award.	Tricia Wright	-	Completed. This has been incorporated into the new framework.
07/07/17 (4)	Performance Awards: Commissioner's Commentary The Committee requested that the commentary on the performance of the Commissioner and his direct reports in future papers be more tightly focused on their performance and achievements.	Mike Brown MVO	13 June 2018	Completed. Paper on agenda.

Minute No.	Description	Action By	Target Date	Status note
09/07/17	Date of Next Meeting The Committee agreed that further meetings should be scheduled for the remainder of the year.	Secretariat	Dec 2017	Completed.

Remuneration Committee

Status	Decision-making with full delegated powers within its terms of reference. Part 5A of the Local Government Act 1972 applies as this is a Committee of TfL.
Membership	
Chair	Ben Story
Vice Chair	Kay Carberry CBE
Other Members	Baroness Grey-Thompson DBE Ron Kalifa Val Shawcross CBE
In attendance	Commissioner Any Board Member may attend and with the Chair's agreement other persons may attend all or any part of a meeting
Secretary	To be agreed by General Counsel
Quorum	Two members

Frequency of Meetings

1. The Committee shall meet at least once a year or at such greater frequency as determined by the Chair.

Terms of Reference

2. The Committee will keep an overview of TfL's reward and remuneration policies and its arrangements for talent management and succession planning.
3. The Committee will review from time to time the remuneration of the following Officers:
 - the Commissioner
 - the Chief Finance Officer
 - the General Counsel
 - the Managing Director, Customers, Communication & Technology
 - the Managing Director, Crossrail 2
 - the Managing Director, London Underground
 - the Managing Director, Surface Transport
 - the Director of Commercial Development
 - the Director of City Planning
 - the Chief People Officer
 - the Director of Major Projects
 - the Transformation Director
4. The Committee will exercise TfL's functions related to remuneration in respect of Crossrail Limited.

5. In considering the remuneration of the individuals listed above, the Committee will take into account:
 - the need to remunerate at a level that is competitive in comparison with the external market and peer organisations;
 - the need to remunerate at a level that attracts, motivates and retains high calibre, suitably qualified individuals to manage TfL successfully while also, in a fair and reasonable manner, rewarding them for their individual contributions to TfL's long-term success, without paying more than is necessary; and
 - the context of remuneration levels across TfL, including the level of changes to remuneration across the workforce.
6. 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 Group Scorecard outcome as agreed by the Audit and Assurance Committee.
7. The Committee will consider the Commissioner's recommendations for annual performance awards proposed for the individuals listed above.
8. The Committee will receive a report at least once each year addressing remuneration on a pan-TfL basis including base pay and performance awards and will use that report to inform its decisions on senior officer remuneration.
9. The Committee will determine the salary for any person proposed to be appointed as an Officer of TfL with an annual basic salary of £100,000 or more.
10. The Committee will, as appropriate, take into account any views expressed by the Mayor on senior salary levels.
11. The Committee will receive a report at least once each year addressing pay gaps between those within TfL's workforce who may have a protected characteristic and those who do not, including, but not limited to, gender and race.
12. The Committee will receive regular update reports on TfL's approach to talent management and succession planning.

Reporting

13. The Committee will report any meeting to the Board at the next ordinary Meeting.

Remuneration Committee Chair's Action



Issued: 21 March 2018

Item: 2017-18 Performance Award Calculation for Managing Directors and Directors in Professional Services

1 Purpose

- 1.1 As part of the overall review of TfL performance and reward that has led to the redesign of the performance award scheme for 2018-19, the TfL Executive Committee also agreed changes to how TfL's performance scorecards would operate for the current (2017-18) performance year.
- 1.2 The main focus of these changes was to ensure that the TfL scorecard aligned closely with the TfL Business Plan and the Mayor's Transport Strategy through a consideration of the balance and weighting of individual measures and metrics. It was also decided that in order to more effectively drive performance around these priorities in 2017-18, performance awards for Senior Management in Professional Services should be solely based upon the TfL scorecard, whilst in the delivery businesses (London Underground, Surface Transport, Major Projects and Commercial Development) performance awards would continue to be based upon a combination of the TfL and delivery business scorecard.
- 1.3 This therefore impacts how the performance award will be calculated for roles covered by the Remuneration Committee's Terms of Reference in Professional Services because formal performance scorecards are not being operated in these business areas for the purposes of remuneration for 2017-18.
- 1.4 This paper therefore sets out a proposal for how the 2017-18 performance award calculation for these roles should be adjusted if TfL's performance delivery for 2017-18 warrants the payment of awards.
- 1.5 The use of Chair's Action is considered appropriate as a decision on the calculation method is required by the end of the Financial Year to enable performance award proposals to be submitted to the next meeting of the Committee in June 2018.
- 1.6 The members of the Remuneration Committee are asked to consider the paper and provide its Chair, Ben Story, with their views on or before 10am on Monday 26 March 2018. The Chair will then be asked to exercise his authority. The contents of this paper and the exercise of Chair's Action will be reported to the next meeting of the Board and the next meeting of the Committee.

2 Recommendations

- 2.1 **The Chair of the Remuneration Committee (in consultation with its members), is asked to approve the proposal outlined in the table in 3.3 below.**

3 Proposal

3.1 The Professional services roles under the Committee's Terms of Reference directly impacted by the changes for 2017-18 are:

- the Chief Finance Officer
- the General Counsel
- the Managing Director, Customers, Communication & Technology
- the Managing Director, Crossrail 2
- the Director of City Planning
- the Human Resources Director
- the Transformation Director

3.2 It is proposed that any performance award for these roles is calculated based on the TfL scorecard result and individual performance only.

3.3 The following table sets out how the existing performance award 'build-up' (based on TfL, business area and individual performance) needs to be adjusted so that the build-up is now based on TfL and individual performance elements only as per the 'Proposed build-up' column:

Level	Max reward as a % of salary	Existing build-up	Proposed build-up
Managing Director	30%	5% TfL Scorecard	15% TfL Scorecard
		10% Business Area scorecard	15% personal performance
		15% personal performance	
Director	20%	2.5% TfL Scorecard	10% TfL Scorecard
		7.5% Business Area scorecard	10% personal performance
		10% personal performance	

3.4 For roles that are based in one of the four delivery businesses the performance award calculation will be unaffected and therefore remain as per the 'existing build-up' column.

List of appendices to this report:

None

List of Background Papers:

None

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Remuneration Committee Chair's Action



Date: 21 March 2018

Item: **New Performance Award Scheme for Senior Management for 2018-19**

1 Purpose

- 1.1 On 2 October 2017, the Remuneration Committee ('the Committee') approved a new annual performance award scheme design for Senior Management to be effective for the 2018-19 performance year. This included a general principle to focus the calculation of performance awards for Senior Management primarily around the outturn of a single scorecard for TfL. However, in the discussions about this it was accepted that each delivery business should still have some element of performance award calculation based on its own individual scorecard, whilst the calculation for Professional Services business areas would work solely off the TfL scorecard.
- 1.2 Therefore for TfL's delivery businesses, London Underground, Surface Transport, Major Projects and Commercial Development, a calculation method that uses two scorecards – the TfL scorecard and the delivery business scorecard is required. This paper sets out a recommended approach for the calculation and also options for the weighting between the two scorecards to be applied.
- 1.3 The use of Chair's Action is considered appropriate as a decision on the new performance award scheme is required by the end of the Financial Year to enable the scheme to be implemented from 1 April 2018.
- 1.4 The members of the Committee are asked to consider the paper and provide its Chair, Ben Story, with their views on or before 10am on Monday 26 March 2018. The Chair will then be asked to exercise his authority. The contents of this paper and the exercise of Chair's Action will be reported to the next meeting of the Board and the next meeting of the Committee.

2 Recommendations

- 2.1 **The Chair of the Remuneration Committee (in consultation with its members), is asked to note the paper and:**
 - (a) **approve the weighting to be applied between the delivery business scorecard (40 per cent) and the TfL scorecard (60 per cent) for each of the four delivery businesses – London Underground, Surface Transport, Major Projects and Commercial Development (3.1 below); and**
 - (b) **approve the calculation method to be applied where two scorecards will be used to determine performance awards (4.6 below).**

3 Scorecard Weighting

- 3.1 In previous discussions with the Committee there was a general consensus that the TfL scorecard should retain the highest weighting for the delivery businesses where two scorecards are to be used. The following weightings are proposed:

Business Area	TfL Scorecard Weighting Percentage	Delivery Business Scorecard Weighting Percentage
Professional Services Business Areas	100%	-
London Underground	60%	40%
Surface Transport	60%	40%
Major Projects	60%	40%
Commercial Development	60%	40%

4 Reminder: standard calculation method using the single (TfL) scorecard

4.1 The matrix in Figure 1 below outlines the core elements in the performance award calculation method using our Payband 4 methodology.

Payband 4		Percentage Award by Performance Rating				
Scorecard result	% Budget	1 x 0.0	2 x 0.33	3 x 0.85	4 x 1.20	5 x 1.50
70	5.00	0	1.7	4.3	6.0	7.5
71	5.17	0	1.7	4.4	6.2	7.7
72	5.33	0	1.8	4.5	6.4	8.0
73	5.50	0	1.8	4.7	6.6	8.2
74	5.67	0	1.9	4.8	6.8	8.5
75	5.83	0	1.9	5.0	7.0	8.8
76	6.00	0	2.0	5.1	7.2	9.0
77	6.17	0	2.0	5.2	7.4	9.3
78	6.33	0	2.1	5.4	7.6	9.5
79	6.50	0	2.1	5.5	7.8	9.8
80	6.67	0	2.2	5.7	8.0	10.0
81	6.83	0	2.3	5.8	8.2	10.3
82	7.00	0	2.3	6.0	8.4	10.5
83	7.17	0	2.4	6.1	8.6	10.8
84	7.33	0	2.4	6.2	8.8	11.0
85	7.50	0	2.5	6.4	9.0	11.3
86	7.67	0	2.5	6.5	9.2	11.5
87	7.83	0	2.6	6.7	9.4	11.8
88	8.00	0	2.6	6.8	9.6	12.0
89	8.17	0	2.7	6.9	9.8	12.3
90	8.33	0	2.8	7.1	10.0	12.5
91	8.50	0	2.8	7.2	10.2	12.8
92	8.67	0	2.9	7.4	10.4	13.0
93	8.83	0	2.9	7.5	10.6	13.3
94	9.00	0	3.0	7.7	10.8	13.5
95	9.17	0	3.0	7.8	11.0	13.8
96	9.33	0	3.1	7.9	11.2	14.0
97	9.50	0	3.1	8.1	11.4	14.3
98	9.67	0	3.2	8.2	11.6	14.5
99	9.83	0	3.2	8.4	11.8	14.8
100	10.00	0	3.3	8.5	12.0	15.0

1. A minimum scorecard threshold of 70 percent is set which delivers the minimum percentage budget e.g. 5%

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 85% has been set as the 'On Target' level. It delivers a budget of 7.5%. An individual with a performance rating of 4 would receive a fixed performance award of 9.0% whilst an individual rated as 3 would receive a performance award of 6.4%.

4. Above 85% represents 'Stretch Performance'. The budget increases in line with the increased scorecard result to a maximum budget of 10% at 100% outturn.

Figure 1: Proposed performance award scheme calculation method. Example here is for Payband 4 with a minimum scorecard threshold of 70 per cent and an on-target of 85 per cent.

4.2 A minimum scorecard threshold of **70 per cent** will be the minimum outturn that must be achieved before any budget for performance awards becomes available.

4.3 A scorecard result of **85 per cent** will be the level for 'on target' performance. Scorecard outturn at 85 per cent will make the on-target performance award budget that is applicable to each senior management level available (7.5 per cent for Payband 4 in Figure 1 above) whilst performance outturn in the range above 85 per cent to the 100 per cent maximum represents an increasing level of 'stretch performance' with a linear growth in the available budget up to the maximum for the relevant Payband/level for 100 per cent outturn (10 per cent for Payband 4 in Figure 1 above).

4.4 Example calculation for an individual's performance award at Payband 4 using the matrix in Figure 1 above:

- Assume – Scorecard outturn at 85 per cent; Performance rating 3; Base salary £75,000
- Calculation – 7.5% budget (for 85% scorecard outturn) x 0.85 (multiplier for rating 3) = 6.4%

Award = £75,000 x 6.4% = £4,800

Calculation method for Delivery Businesses using the two scorecard approach

4.5 The calculation using two scorecards will work from the same matrix relevant to the Payband / Level. A weighted average outturn will be calculated in accordance with weightings determined in 3.1 above.

Payband 4		Percentage Award by Performance Rating				
Scorecard result	% Budget	1 x 0.0	2 x 0.33	3 x 0.85	4 x 1.20	5 x 1.50
70	5.00	0	1.7	4.3	6.0	7.5
71	5.17	0	1.7	4.4	6.2	7.7
72	5.33	0	1.8	4.5	6.4	8.0
73	5.50	0	1.8	4.7	6.6	8.2
74	5.67	0	1.9	4.8	6.8	8.5
75	5.83	0	1.9	5.0	7.0	8.8
76	6.00	0	2.0	5.1	7.2	9.0
77	6.17	0	2.0	5.2	7.4	9.3
78	6.33	0	2.1	5.4	7.6	9.5
79	6.50	0	2.1	5.5	7.8	9.8
80	6.67	0	2.2	5.7	8.0	10.0
81	6.83	0	2.3	5.8	8.2	10.3
82	7.00	0	2.3	6.0	8.4	10.5
83	7.17	0	2.4	6.1	8.6	10.8
84	7.33	0	2.4	6.2	8.8	11.0
85	7.50	0	2.5	6.4	9.0	11.3
86	7.67	0	2.5	6.5	9.2	11.5
87	7.83	0	2.6	6.7	9.4	11.8
88	8.00	0	2.6	6.8	9.6	12.0
89	8.17	0	2.7	6.9	9.8	12.3
90	8.33	0	2.8	7.1	10.0	12.5
91	8.50	0	2.8	7.2	10.2	12.8
92	8.67	0	2.9	7.4	10.4	13.0
93	8.83	0	2.9	7.5	10.6	13.3
94	9.00	0	3.0	7.7	10.8	13.5
95	9.17	0	3.0	7.8	11.0	13.8
96	9.33	0	3.1	7.9	11.2	14.0
97	9.50	0	3.1	8.1	11.4	14.3
98	9.67	0	3.2	8.2	11.6	14.5
99	9.83	0	3.2	8.4	11.8	14.8
100	10.00	0	3.3	8.5	12.0	15.0

Figure 2: Proposed performance award scheme calculation method based on two scorecards. Example here is for Payband 4 with a minimum scorecard threshold of 70 per cent and an on-target of 85 per cent.

4.6 Calculation:

Assumptions:

TfL Scorecard Outturn – 90% (A)

Delivery Business Scorecard Outturn – 80% (B)

Performance rating – 3

Calculation using recommended - 60:40 weighting:

$$(7.1 (A) \times 0.6) + (5.7 (B) \times 0.4) = 6.54\%$$

- 4.7 This calculation method will apply in the same way to Payband 5, Directors and Managing Directors in the delivery businesses using the relevant performance award matrix.
- 4.8 The performance award for the Commissioner will be based solely on the TfL scorecard.

List of appendices to this report:

None

List of Background Papers:

None

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