

Agenda

Meeting: Remuneration Committee

Date: Wednesday 5 February 2020

Time: 10.00am

**Place: Boardroom, Floor 11, Yellow
Zone (11Y8) - Palestra, 197
Blackfriars Road, London, SE1
8NJ**

Members

Ben Story (Chair)

Kay Carberry CBE (Vice-Chair)

Heidi Alexander

Ron Kalifa OBE

Copies of the papers and any attachments are available on [tfl.gov.uk How We Are Governed](https://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
Tuesday 28 January 2020

**Agenda
Remuneration Committee
Wednesday 5 February 2020**

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 Committee held on 6 November 2019
(Pages 1 - 4)**

General Counsel

The Committee is asked to approve the minutes of the meeting of the Committee held on 6 November 2019 and authorise the Chair to sign them.

**4 Matters Arising, Actions List and Use of Delegated Authority
(Pages 5 - 8)**

General Counsel

The Committee is asked to note the updated actions list and the use of Chair's Action.

**5 Amendment to Terms of Reference
(Pages 9 - 10)**

Commissioner

The Committee is asked to recommend to the Board that it amend the Committee's terms of reference to include the Chief Safety, Health and Environment Officer to the list of named officers under section 3.

6 Performance Award Scheme for Senior Managers Review

(Pages 11 - 14)

Chief People Officer

The Committee is asked to consider proposals to ensure greater alignment between the TfL Scorecard performance threshold and the senior manager performance awards from 2020/21 onwards.

7 Member suggestions for future agenda discussions

(Pages 15 - 18)

General Counsel

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.

8 Any Other Business the Chair Considers Urgent

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

9 Date of Next Meeting

Wednesday 11 March 2020 at 2pm.

[page left intentionally blank]

Transport for London

Minutes of the Remuneration Committee

Conference Room 1, Palestra, 197 Blackfriars Road, London SE1 8NJ
10.00am, Wednesday 6 November 2019

Members

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

Executive Committee

Mike Brown MVO	Commissioner
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

Haminda Ali	GLA Workforce Equality, Diversity and Inclusion Manager
-------------	---

31/11/19 Apologies for Absence and Chair's Announcements

The Chair welcomed everyone to the meeting, including Hamida Ali who was attending with Heidi Alexander as part of the Our Time initiative. There were no apologies for absence.

The Chair reminded those present that safety was paramount at TfL and encouraged Members to raise any safety issues during discussions on a relevant item or with TfL staff after the meeting.

Mike Brown informed Members that Kenneth Matcham, a bus driver working for Metrobus GoAhead on a TfL service, had died following a collision involving two buses and a car in Orpington on 31 October 2019. TfL was working with the operator to investigate the incident and was providing all possible care to Mr Matcham's family and colleagues.

32/11/19 Declarations of Interests

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

33/11/19 Minutes of the Meeting of the Committee held on 11 July 2019

The minutes of the meeting held on 11 July 2019 were approved as a correct record and signed by the Chair.

34/11/19 Matters Arising, Actions List and Use of Delegated Authority

The Committee noted the use of Chair's Actions to approve salaries of £100,000 or more and that it was difficult to time these for approval at meetings due to recruitment cycles. The process would be kept under review to see if it could be further streamlined. The process and threshold for non-permanent labour (NPL) approvals was currently under review with the aim of reducing the number of approvals that had to go to City Hall and to the Committee, while ensuring appropriate rigour to internal approval processes. The Committee would continue to receive regular updates on the number and length of NPL appointments. Proposed changes to the criteria on NPL approvals would be discussed with members of the Committee. **[Action: Tricia Wright]**

Performance Awards were proposed to be considered by the Committee in March 2020. The Committee would be asked to consider an award range based on interim Scorecard results, with the final award proposals based on the Scorecard outturn for approval by the Chair under delegated authority. The proposed process would be considered by the Committee in February 2020. **[Action: Tricia Wright]**

The Committee noted the use of Chair's Action since the last meeting and the updated Actions List.

35/11/19 Talent Management and Succession Planning

Tricia Wright introduced the paper and the supplementary information on Part 2 of the agenda. The paper provided an update on TfL's approach to talent management, how it planned to ensure it had the right skills in place to deliver the Business Plan and the Mayor's Transport Strategy and work to create succession plans for Executive Committee members.

The nature of TfL's business had changed significantly in recent years and it also operated in an increasingly complex and challenging operational and financial climate. These things placed a greater emphasis on ensuring it attracted, developed and retained staff with the right skills and capabilities to meet these challenges.

The Committee discussed the substantial turnover of senior managers over the last year. Staff had been attracted or tempted to move by substantially better remuneration packages available elsewhere in the private sector and with Network Rail. Members discussed the impact of pay restraint and other factors on the decisions by staff to leave and noted that the changes in notice periods also affected how TfL was able to cover vacancies. While the substantial increase in approaches to TfL staff reflected well on TfL's ability to develop talent, the volume of change had the potential to impact on TfL's ability to deliver complex operational businesses and projects. Members recognised the need to take decisions to ensure some key staff were retained but warned that such ad hoc decisions could adversely impact on the proposed planned and systematic approach

to talent management and retention proposed in the paper.

Members noted and welcomed the approach being taken, including the work on building a Leadership Foundation and strategic workforce planning and supported these being implemented as quickly as possible. They offered to give advice and support on some other approaches that they were familiar with, such as executive coaches. The proposals to work with other key organisations facing similar retention issues in the current market were endorsed and it was suggested they be extended to include the private sector.

A further paper would be submitted to the June 2020 meeting. **[Action: Tricia Wright]**

The Committee noted the paper and the exempt information on Part 2 of the agenda.

36/11/19 Members' Suggestions for Future Discussion Items

Howard Carter introduced the item. Members discussed the forward plan, noting the actions agreed at this meeting.

37/11/19 Any Other Business the Chair Considers Urgent

There was no urgent business to discuss.

Members congratulated Mike Brown on his recently announced appointment as the Chair of the Delivery Authority for the Restoration and Renewal of the Palace of Westminster. On behalf of the Committee, the Chair expressed his deep gratitude for Mike Brown's work, sacrifice and resilience in leading TfL during extraordinarily difficult times. The Committee wished him every success in his new role.

Mike Brown would take up the appointment in May 2020, at the end of the current Mayoral term. The Deputy Chair would talk to Members about their involvement in the selection process ahead of the Board's decision to approve an appointment.

38/11/19 Exclusion of the Press and Public

There was no urgent business to discuss.

39/11/19 Date of Next Meeting

The next scheduled meeting of the Committee was 5 February 2020 at 10.00am.

The meeting closed at 11.25am

Chair: _____

Date: _____

[page left intentionally blank]

Remuneration Committee



Date: 5 February 2020

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 five uses of Chair's Action and the progress against actions agreed at previous meetings (Appendix 1).
- 1.2 Chair's Action was used to approve salaries of £100,000 or more for 58 roles.

2 Recommendation

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

3 Use of Delegated Authority

Salaries over £100k or more

- 3.1 The Terms of Reference for the Committee required it to approve salaries of £100,000 or more. A business case justification is provided to the Committee for each role.
- 3.2 Under TfL's ongoing Transformation programme the overall number of senior roles are being reduced and cost savings achieved. Following consultation with members of the Committee, the Chair approved salaries of £100,000 or more for the following roles:

15 November 2019

- 1. Chief People Officer;
- 2. Head of Power and Electrical;
- 3. Head of Finance x3;
- 4. Senior Solution Architect x5 (NPL);
- 5. Senior Solution Architect – Safety Critical Specialist (NPL);
- 6. 20 NPL positions extending existing roles (NPL);

19 November 2019

- 7. Head of Procurement;
- 8. Interim Deputy to Chief Procurement Officer (NPL);

9 December 2019

- 9. Project Director, Major Projects;
- 10. Head of Stations, Buildings and Civils, London Underground;

11. Head of Network Planning and Services, London Underground;
12. Head of Signals, London Underground;
13. Head of Track, London Underground;
14. Technical Delivery Lead, Tech & Data (x3) (NPL);
15. Engineer, Permanent Way, Engineering (NPL);
16. Engineer, Permanent Way, Engineering (NPL);
17. Senior Developer, Tech & Data (NPL);
18. Senior Developer, Tech & Data (NPL);
19. Head of Financial Planning and Analysis, Finance (NPL);
20. Divisional Financial Controller – London Underground, Finance (NPL);
21. Chief Information Security Officer, Tech & Data (NPL); and
22. Head of Occupational Health (NPL)

18 December 2019

23. Director of TfL Engineering Delivery;
24. Director of Renewals and Enhancements;
25. Director of Operational Readiness; and
26. COO Engineering.

26 January 2020

27. Director of Programme Management Office (PMO);
28. Head of Procurement (Surface) (NPL);
29. Head of Change Portfolio Office (London Underground) (NPL);
30. Interim Finance NPLs x9 (NPL);
31. Senior Software Developer Android & iOS (Tech and Data) x3 (NPL);
32. Senior Application Engineer Maximo (Tech and Data) x2 (NPL);
33. Signalling Engineer (London Underground) (NPL);
34. Senior Developer (Tech and Data) (NPL);
35. Senior Developer (Tech and Data) (NPL);
36. Senior Test Analysis (Tech and Data) (NPL);
37. Development Technical Lead (Tech and Data) (NPL); and
38. Senior Application Engineer Maximo x2 (Tech and Data) (NPL).

List of appendices to this report:

Appendix 1: Actions List

List of Background Papers:

Minutes of previous meetings of the Committee
Chair's Action papers issued on 14 November, 15 November, 5 December, 11 December 2019 and 23 January 2020

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

Remuneration Committee Actions List (reported to the meeting on 5 February 2020)

Actions arising from the meeting held on 6 November 2019.

Minute No.	Description	Action By	Target Date	Status note
34/11/19(1)	Matters Arising – NPL approvals Proposed changes to the criteria on NPL approvals would be discussed with members of the Committee.	Tricia Wright	February 2020	Changes to the criteria will be shared with members.
34/11/19(2)	Matters Arising – Performance Awards March 2020 The proposed process would be considered by the Committee in February 2020.	Tricia Wright	February 2020	On agenda.
35/11/19	Talent Management and Succession Planning – update A further paper would be submitted to the June 2020 meeting.	Tricia Wright	June 2020	On forward plan.

Actions arising from previous meetings.

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	February 2020	Further information will be provided to the Panel in a D&I update.
14/06/19	Pay Gap Analysis Update: Diversity of Train Drivers TfL would continue to review how it could further increase the diversity of its drivers, including reviewing the recommendations from the ASLEF report. A comprehensive status update would be provided to a future meeting.	Tricia Wright	June 2020	Information will be included in the paper on Pay Gap Analysis to be considered in June 2020.

17/06/19 (1)	Performance Awards 2018-19: The Committee requested that from next year, the performance awards discussion be supported by: <ul style="list-style-type: none"> (a) the paper including information on the performance ratings for the previous two years; and (b) the Committee Chair reporting feedback from the Chairs of the other Committees and Panels, particularly on individuals that were not as well known to the whole Board. 	Stephen Field and Chair	March 2020	To be addressed in the March 2020 paper.
---------------------	--	-------------------------	------------	--

Remuneration Committee

Date: 5 February 2020

Item: Amendment to Terms of Reference

This paper will be considered in public

1 Background and Purpose

- 1.1 The Committee's terms of reference include, under section 3: "The Committee will review from time to time the remuneration of the Commissioner and senior direct reports to the Commissioner".
- 1.2 The role of Chief Safety, Health and Environment Officer has been established, which reports directly to the Commissioner. Consequently, it is proposed that this role be added to the list of named officers under section 3 of the Committee's terms of reference.

2 Recommendation

- 2.1 **The Committee is asked to recommend that the Board approve a change to the Committee's terms of reference to add under list of officers in section 3 the Chief Safety, Health & Environment Officer.**

List of appendices to this report:

None

List of Background Papers:

TfL Terms of Reference (last revised 22 May 2019)

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

[page left intentionally blank]

Remuneration Committee

Date: 5 February 2020

Item: Performance Award Scheme for Senior Management Review

This paper will be considered in public

1 Summary

- 1.1 On 11 July 2019, the Committee discussed a paper (Agenda Item 5) which outlined key observations regarding the alignment between actual performance delivery across TfL and the performance score thresholds deployed in the new performance award arrangements in their first year of operation.
- 1.2 It was observed that the implementation of the new balanced scorecard at the start of 2017-18 had introduced more stretching targets.
- 1.3 It was further noted that the performance score thresholds for the new performance award arrangement had been determined in October 2017 in isolation from the process to determine scorecard targets for 2018-19 finalised in March 2018 (for the first year of the new performance award scheme operation).
- 1.4 As a result of these and other detailed observations set out in the paper, the Committee chose to amend the performance score thresholds applied to the new performance award arrangement for both the 2018-19 and 2019-20 performance years, in order to normalise the reward outturn in relation to the actual level of performance delivered.
- 1.5 At the same time as agreeing these changes, the Committee decided that a further review should be undertaken to ensure that there was a permanent solution to the issue of alignment between scorecard results and performance award thresholds. In particular the Committee wanted to ensure that this was sufficiently robust and reliable to be implemented at the start of the performance year and therefore negate the need for a significant re-calibration of the thresholds versus actual results at the year-end.
- 1.6 The purpose of this paper is to set out two broad options for the Committee's consideration, so it can determine how best this might be achieved in principle for use in the performance year 2020-21.
- 1.7 Should any changes be introduced to the TfL Scorecard then we would need to revisit our approach to performance awards to ensure that they remain appropriate and aligned.

2 Recommendations

2.1 The Committee is asked to:

- (a) consider and discuss the options presented in Section 4 below;
- (b) determine in principle how senior management performance award thresholds will be aligned to performance scorecard results for 2020-21 onwards; and
- (c) agree that the matter is brought back to the meeting of the Committee in March 2020 for final discussion and approval, whereby full details of the measures and their weightings and associated scoring mechanisms to be used in the scheme are set out based on the finalised Business Plan for 2020.

3 Options for ensuring alignment between performance award thresholds and scorecard metrics 2020-21 onwards

3.1 This paper sets out 2 broad options for how alignment could be achieved.

Option 1 – Use existing balanced scorecard and calibrate all individual scorecard measures (including implementing a sliding scale approach) to ensure reward outcomes are aligned to an appropriate level of performance delivery

3.2 Under this option the existing balanced scorecards with the full range of measures would continue to be used to determine performance award budgets. This would require careful calibration of each measure ahead of the relevant performance year to ultimately ensure that appropriate levels of reward for the relevant performance outturn are delivered. Most likely this would require some form of sliding scale mechanism with floor and ceiling targets set for each measure to ensure a 'hit or miss' cliff edge approach is avoided.

3.3 Ultimately this would allow performance award thresholds to be returned to the originally intended 70 per cent minimum, 85 per cent on-target going forward.

3.4 The key advantages of this approach are:

- (a) minimal change from the current system, given that all measures on existing balanced scorecards would be assessed; and
- (b) within this approach, it could still be decided whether for Reward purposes the scorecard is balanced across the four quadrants (Safety, Customer, People and Finance), or some other form of weighting, is applied.

3.5 The potential disadvantages of this approach are:

- (a) given the quantity and range of measures, calibration will be a complex task that requires considerable effort to deliver;
- (b) the quantity and range of measures leads to an increased margin for error,

compared with Option 2 below, in getting the calibration wrong;

- (c) some measures on the scorecard can be more directly impacted by senior management focus and effort than others. Including those that are less attributable to direct control dilutes the incentive impact; and
- (d) Whilst all scorecard measures are important and help provide an overarching overview of TfL's performance some areas of business performance might be prioritised more highly than others in the annual business plan. Incentivising against the full set of scorecard measures could potentially reduce focus on the most critical areas of performance in any given year. In this respect adjusting weightings of measures can only go so far – greater clarity and focus comes from only having the most critical measures aligned to the reward outturn.

Option 2 – Use a subset of scorecard measures in any given performance year (including implementing a sliding scale approach) that represent our most critical priorities within the context of the annual business plan

- 3.6 Under this option a subset of the scorecard measures as agreed at the start of the performance year would be used to determine performance award budgets.
- 3.7 This subset would be based on those measures that represent the most critical areas of performance in relation to the annual business plan. A significantly reduced range of measures could be drawn from the main scorecard in order to provide clarity and focus on the most important issues in that year.
- 3.8 The reduced number of measures could be implemented in such a way as to either maintain a balanced approach across Safety, Customer, People and Finance, or each of the segments themselves could carry a separate weighting.
- 3.9 Again it is anticipated that the measures selected would be established with a sliding scale approach to their scoring with established floor and ceiling threshold targets to remove the 'all or nothing' impact that otherwise happens.
- 3.10 The advantages of this approach would be:
 - (a) provide a more manageable way to ensure alignment between the scorecard performance and reward outturn;
 - (b) using a significantly lower number of measures would help minimise the margin for error in any calibration activity undertaken;
 - (c) provide a system that is transparent and clear and better supports the line of sight between the performance required for the reward delivered; and
 - (d) increases the incentive impact on critical measures that are required to be delivered to achieve annual business plan priorities.
- 3.11 The potential disadvantages of this approach are:
 - (a) a narrow set of measures might be misconstrued, given that a broader range of measures that would exist on the full scorecard; and

- (b) should there be a dichotomy in performance where the subset of measures chosen significantly outperform those on the full scorecard then this might lead to accusations that the focus was too narrow and that performance awards were being paid at an inappropriate level.

List of appendices to this report:

None

List of Background Papers:

Additional Information Following Initial Review of the First Year of Operation of the New TfL Performance Award Scheme for Senior Management - Agenda Item 5, 11 July meeting.

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

Remuneration Committee



Date: 5 February 2020

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 March 2020		
Scorecard indicative outcomes	Chief Finance Officer	The paper will set out the indicative outcomes from the Scorecard, to inform consideration of the performance awards.
Performance Awards – TfL	Chief People Officer	To consider indicative performance awards for the Commissioner and designated staff, for approval once the full results are confirmed.
Performance Awards – CRL CEO	Crossrail Limited	To consider the proposal of the Crossrail Limited Remuneration Committee.

11 June 2020		
Critical Roles and Succession Planning	Chief People Officer	This paper will outline the critical roles identified across the organisation and seek endorsement for retention arrangements where appropriate.

To be rescheduled or addressed

Pay Gap Analysis	Chief People Officer	2018/19 data and progress against actions and the performance indicators that the Committee should keep under review.
Workforce Planning	Chief People Officer	To note the staff talent and specialisms that TfL requires now and in the future, including through contractors and temporary staff.
Compliance Training	Chief People Officer	To note benchmarking data on the completion of mandatory training on compliance issues across TfL (e.g. Health and Safety, Diversity and Inclusion, Fraud Awareness).

Regular items each year

- TfL Performance Delivery and Performance Awards
- TfL Remuneration
- Pay Gap Analysis
- Talent Management
- Succession Planning

Items often approved by Chair's Action due to the need for decisions between meetings

- Salary for any person proposed to be appointed as an Officer of TfL with an annual basic salary of £100,000 or more.
- Exit payments for any officer listed in the ToR or if over £100,000k (excluding statutory notice period)