

Transport for London

Minutes of the Remuneration Committee

Committee Room 1, City Hall, 110 The Queen's Walk, London SE1 2AA
12.00 noon, Tuesday 15 March 2016

Members

Baroness Grey-Thompson DBE	Chair
Daniel Moylan	Vice Chairman

Also in attendance:

Isabel Dedring	Member
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Staff

Mike Brown	Commissioner
Howard Carter	General Counsel
Stephen Field	Director Pensions and Reward
Terry Morgan	Chairman, Crossrail Limited (for Minute reference 08/03/16)
Tricia Riley	Human Resources Director
Shamus Kenny	Head of Secretariat

01/03/16 Apologies for Absence and Chair's Announcements

Apologies for absence had been received from Boris Johnson and Sir John Armitt CBE.

02/03/16 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. Daniel Moylan confirmed that although a Non Executive Director of Crossrail Limited (CRL), he had no involvement with the decision of the CRL Remuneration Committee in relation to the Crossrail Limited Chief Executive's Performance and Pay Review item on the agenda.

03/03/16 Minutes of the Meeting held on 8 July 2015

The minutes of the meeting held on 8 July 2015 were approved as a correct record and signed by the Chair.

04/03/16 Matters Arising, Actions List and Forward Plan

The Committee noted a correction to the forward plan for the meeting scheduled for 24 May 2016, where the Committee would be asked to agree any salary review issues not resolved at the meeting in March (not May). (See minute 14/03/16 below.)

The Committee noted the Actions List and Forward Plan.

05/03/16 Leadership and Succession Planning in TfL - Update

Mike Brown introduced the paper, which provided an update of the current and proposed future activities which formed TfL's Leadership and Succession programme. The last update was provided in November 2014.

Since the last update, TfL had completed the Executive Education programme for Directors and implemented a similar programme for other Senior Managers.

TfL had also implemented its Maximising Potential approach to Talent Management. The outputs from this work were shaping the approach to Succession Planning. A range of leadership development opportunities were also available.

In addition to Senior Leadership Development, TfL continued to develop opportunities to ensure that all of its people managers were highly trained and effective, manage people positively and confidently and enabled its staff to feel engaged, supported and included within the workplace.

The Committee noted the good progress made to harness and capture senior talent within the organisation. A graduate and apprentice board had also been established to ensure that staff on the graduate and apprenticeship programmes had support to manage their career progression. However, it was recognised that more needed to be done to capture the talent and manage the career progression of capable front line staff such as train drivers and Customer Support Assistants.

TfL had a historically low staff turnover rate which impacted on the opportunities that were available. TfL committed to providing managed exit plans for staff that did leave and this had been used in the stations programme, which had also provided an opportunity to advance the careers of talented front line staff.

Annual performance review meetings also included discussions on development opportunities.

Future reports would include information on the progress on front line, women and BAME staff. **[Action: Tricia Riley]**

The Committee noted the actions and activities currently underway and planned.

06/03/16 The Commissioner's Performance Assessment – A New Approach

Tricia Riley introduced the paper, which set out options and recommendations for a change to the basis of performance assessment used to determine the Commissioner's annual performance award. The Commissioner was currently assessed solely upon the outturn of the TfL Scorecard. It was recommended that future performance assessments should be made up of a combination of both the TfL scorecard outturn and performance against a number of personal priorities and objectives.

The Committee supported the proposed approach and recommended that the Commissioner's performance targets be reviewed after the election as appropriate.

The Committee agreed:

- 1 to a combination of the TfL group balanced scorecard and individual objectives as the basis for future performance assessment for the Commissioner from 2016/17, as set out in Section 5 of the paper; and**
- 2 that the performance award for 2015/16 would be based solely on the outturn of the TfL scorecard.**

07/03/16 TfL Performance Delivery 2015-16 and Performance Awards

Mike Brown introduced the paper and the supplemental information on Part 2 of the agenda. The paper sought approval to the overall delivery for the year ended 31 March 2016 against the TfL and individual business or specialist services scorecards for the Commissioner and Managing Directors, and set out the eligible performance awards for all other TfL staff (including Directors and Senior Managers).

The performance awards recommended were based on Period 11 results; it was recommended that the final scorecard results would be provided to the Committee's Chair in late April to agree the final awards.

The Committee noted the paper and the supplemental information on Part 2 of the agenda and:

- 1 noted the delivery against the 2015/16 TfL and business area scorecards to date; and delegated authority to the Chair to agree the final performance awards once the final scorecard results were known; and**
- 2 noted the overall level of performance awards for other staff.**

08/03/16 Crossrail Limited Chief Executive's Performance and Pay Review

Daniel Moylan confirmed that although a Non Executive Director of Crossrail Limited (CRL), he had no involvement with the decision of the CRL Remuneration Committee.

Terry Morgan introduced the paper and the supplemental information on Part 2 of the agenda. The paper informed TfL of the decision made by the CRL Remuneration Committee to offer no base pay increase to the Chief Executive in 2016/17 and to consult TfL on its proposal to award a performance related payment in recognition of his achievements in the financial year 2015/16, to consult TfL on its plan to make a Long Term Incentive Plan (LTIP) payment, and to ask TfL to note that he will be made a LTIP Award for 2016/17 in line with the agreed Targets. The performance metrics for the LTIP awards were based on the anticipated end year outcome.

The Committee noted that CRL sought to avoid overlapping personal and LTIP objectives. However, while the CRL CEO's personal objectives for 2016/17 included a specific reference to not breaching Intervention Point 1 (IP1) the Committee asked the CRL Chairman to consider including an LTIP reference or strengthening the personal objective to achieve a P80 IP1 outcome.

The Committee:

- 1 noted the achievements of the Crossrail Limited (CRL) Chief Executive in the 2015/16 performance year;**
- 2 noted the decision of the CRL Remuneration Committee not to award the CRL Chief Executive a base pay increase for the financial year 2016/17, as set out in the paper on Part 2 of the agenda;**
- 3 supported the proposal of the CRL Remuneration Committee to award the CRL Chief Executive a performance related payment in recognition of his achievements in the 2015/16 performance year;**
- 4 noted the plan of the CRL Remuneration Committee make a Long Term Incentive Plan (LTIP) Payment to the CRL Chief Executive in respect of the LTIP Period 2014/15 and 2015/16; and**
- 5 supported the proposal of the CRL Remuneration Committee to make a LTIP Award in respect of 2016/17 and requested that the CRL Chairman consider how best to emphasise the importance of a P80 IP1 outcome for future awards.**

09/03/16 Remuneration of Women in Senior Roles in TfL

Mike Brown introduced the paper, which responded to the request of the Committee in 2015 for a comparative analysis of male and female median salaries across the TfL senior manager, director and executive population. The paper updated the analysis presented to the Committee in 2015, providing a year on year comparative view.

The Committee welcomed the report. It noted that the analysis in table 1 of the paper had converted all positions to full time equivalent (FTE) pay. The Committee requested that future reports also provide information on the number and ratio of male and female staff in the analysis that were working part time and had been converted to FTE.

[Action: Tricia Riley]

The Committee noted the paper.

10/03/16 Future TfL Executive Remuneration

Mike Brown introduced the paper, which responded to the request of the Committee in 2015 for a paper on TfL executive remuneration within the context of TfL's market remuneration benchmarking and the changing nature of TfL through its evolving business strategy. The paper addressed these issues and pointed out some of the deficiencies and risks with current internal executive remuneration arrangements and provided high level recommendations for how these deficiencies might be approached going forward.

The Committee noted the benchmarking information.

The Committee noted the paper.

11/03/16 Managing Director Salary Reviews 2016

Mike Brown introduced the paper and the supplemental information on Part 2 of the agenda, which sought an increase in the base salary of a Managing Director to reflect changes to the remit and accountabilities of the post, following changes to the organisation structure in October 2015.

As illustrated in the latest benchmarking data, and similar to the situation for other Managing Director roles, the post-holder's base pay and total target remuneration were significantly below the market median level and the inclusion of the broadened remit and accountabilities was likely to weaken the market position further.

The Committee noted the paper and the supplemental information on Part 2 of the agenda and approved a base salary increase as set out in the paper on Part 2 of the agenda, with effect from 1 April 2016, to reflect a significant change in the post-holder's area of responsibility.

12/03/16 Scorecard and Managing Directors Scorecards 2016/17 Targets

Mike Brown introduced the paper and the supplemental information on Part 2 of the agenda, which sought the Committee's approval of the TfL Scorecard for 2016/17.

The TfL group scorecard was used to measure the performance of TfL as an organisation and individual members of staff including the Commissioner and Managing Directors (MD), alongside business area and individual scorecard measures. The TfL group and MD scorecards for 2016/17 had been developed with targets based on forecast 2015/16 results as at period 11. Year end results were not expected to be materially different.

The 2016/17 scorecard adopted a more focussed and challenging approach to driving value using a new "recovery ratio" measure, which considered how much expenditure TfL recovered through income. The methodology for calculating this and the target for "recorded crime: London Underground/DLR" are being finalised with targets displayed as "tbc". All target scores for 2015/16 would be reviewed and updated in light of full year results. Final targets would be presented to the Committee in June 2016.

The Committee discussed the draft scorecard and requested that the following issues be addressed or explained in the revised scorecard to be submitted in June 2016:

- (a) where "to be confirmed" was included, a foot note should explain why a figure was not currently provided;
- (b) the Mayoral target of a 50 per cent reduction in people killed or seriously injured on London's roads either needed an annual target that matched the trajectory or an explanation for how the overall target would be achieved in future years;
- (c) the reference to DLR departures needed to say "on time";
- (d) London Overground and TfL Rail Public Performance Measure target needed to be reviewed as it proposed no improvement;

- (e) the “total engagement” EWT should be reviewed;
- (f) per cent of budget milestones achieved should be explained; and
- (g) total engagement (under People) should be explained.

The Committee recommended that the new Mayor undertake a full review of the Group Scorecard for 2017/18 to ensure that it reflected the purpose and priorities of TfL. The 2017/18 Group Scorecard and proposed performance targets for the Commissioner would be reviewed and agreed by the Committee in March 2017. **[Action: Mike Brown]**

The Committee approved the proposed TfL scorecard for 2016/17 in Appendix 1.

13/03/16 Exclusion of Press and Public

The Committee agreed to exclude the press and public from the meeting, in accordance with paragraphs 1 and 3 of Schedule 12A to the Local Government Act 1972 (as amended), in order to consider the exempt appendices to the following items: TfL Performance Delivery 2015-16 and Performance Awards; Crossrail Limited Chief Executive's Performance and Pay Review; and Managing Director Salary Reviews 2016.

14/03/16 Any Other Business the Chair Considers Urgent

There was no urgent business to discuss.

As there were no outstanding remuneration issues, it was agreed that the meeting scheduled for 24 May 2016 would be cancelled.

There being no further business, the meeting closed at 1.10pm.

The next meeting would be held on Tuesday 28 June 2016 at 10.30am.

Chair: _____

Date: _____