

Board



Date: 25 July 2018

Item: Report of the Meeting of the Remuneration Committee held on 13 June 2018

This paper will be considered in public

1 Summary

1.1 To report to the Board on the meeting of the Remuneration Committee held on 13 June 2018.

2 Recommendation

2.1 **The Board is asked to note the report.**

3 Committee Agenda and Summary

3.1 The papers for the meeting of the Committee held on 13 June were published on 5 June 2018 and are available on the TfL website:

<https://tfl.gov.uk/corporate/publications-and-reports/remuneration-committee>

3.2 The main matters considered by the Committee were:

(a) Use of Delegated Authority;

(b) Annual Remuneration Benchmarking Report for Roles under the Remuneration Committee's Terms of Reference

(c) 2017/18 TfL Scorecards

(d) Performance Awards 2017/18

(e) Crossrail Limited Former Chief Executive's Performance Award

3.3 A summary of the discussions and decisions at the meeting is provided below. The more detailed minutes of the meeting held on 13 June 2018 will be published ahead of the meeting of the Committee on 7 November 2018.

4 Issues Discussed

Use of Delegated Authority

4.1 The Committee noted the paper. Since the meeting of the Committee on 2 October 2018, Committee members had been consulted on three occasions prior to the use of delegated authority. The Deputy Chair of TfL had exercised authority delegated by the Board on 9 November 2017 to approve

revised Terms of Reference for the Committee. On 4 April 2018, Chair's Action had been exercised to approve: proposals for how the 2017-18 performance award calculation for specified roles should be adjusted if TfL's performance delivery for 2017-18 warranted the payment of awards; and the weighting to be applied between the delivery business scorecard and the TfL scorecard for each of the four delivery businesses and the calculation method to be applied where two scorecards would be used to determine performance awards.

Annual Remuneration Benchmarking Report for Roles under the Remuneration Committee's Terms of Reference

- 4.2 The Committee confirmed that it wished to continue to monitor the relative positioning of TfL Senior Management remuneration. It discussed its requirements for remuneration benchmarking going forward for the roles under its Terms of Reference, with a particular focus on the applicable 'peer group' to be surveyed given the complexity of TfL's roles, which included: regulatory authority; direct provider of transport services; procurer and manager of outsourced transport services; and management and delivery of a very large investment programme), all of which was overlaid by TfL's work to drive technology and innovation, the move into national and international consultancy and the need to consider wider Mayoral strategies such as the provision of affordable housing.
- 4.3 The Committee recommended that as part of the scope for awarding a new reward consultancy and benchmarking contract (from February 2019), bidders should be encouraged to consider not just the natural comparators listed in the last report but also: other FTSE companies, to reflect the scale of what TfL delivered; organisations that faced TfL's challenge of being publically and politically accountable while also operating a very large businesses or businesses (e.g. HS2, Heathrow Airport and Thames Tideway); and how comparator organisations could be grouped in a systematic way.
- 4.4 The Committee would receive Remuneration Benchmarking information for all of the roles under its Terms of Reference ahead of the annual pay and performance cycle 2019.

2017/18 TfL Scorecards

- 4.5 The Committee noted the delivery against scorecards for 2017-18. It noted that the Chair of the Audit and Assurance Committee had signed off the year end results and the matters that she drew to the Committee's attention in relation to the 2017/18 Scorecard. Mike Brown confirmed that these had not altered the final outturn outcome. Those issues and the suggestions for future Scorecards had been addressed by the more robust measures in the 2018/19 Scorecard and its alignment with the Mayor's Transport Strategy and Business Plan, along with proposals for clearer documentation as part of the internal outturn review process.

- 4.6 The Committee noted that the TfL Scorecard had demanding stretch targets for the business in 2017/18, which had been a very demanding year given TfL's financial position and the scale of its change management process. The outturn results had been reviewed by the Commissioner and his Executive Committee and that core outcomes had been achieved and improvement plans were in place for each area of the business where targets had not been met.
- 4.7 It was recognised that 2018/19 would be another challenging year and its Scorecard again set demanding stretch targets. Mike Brown was pleased with the work to make many measures more robust and at how the Mayor's Transport Strategy outcomes had been successfully integrated into the new Scorecard. He was confident in the ability of his team to deliver and believed that the scorecards were driving the right behaviours, with a consistent focus on the quality of, and the people driving, the delivery. Members requested a future discussion on how annual Scorecard measures could be weighted to ensure that there was an appropriate focus on medium and long term success, such as the Mayor's Transport Strategy outcomes.
- 4.8 Members commended the progress TfL had made in moving to become a much more professional organisation, aligned around the delivery of the Mayor's Transport Strategy through the Business Plan and Scorecards. The next step for TfL would be to focus on succession planning and attracting and retaining talent; which was on the forward plan for a future Committee discussion.

Performance Awards 2017/18

- 4.9 The Committee approved the individual performance rating proposed for the Commissioner, agreed the level of performance awards for the Commissioner, Managing Directors, and directors specified under the Committee's Terms of Reference against the 2017-18 performance delivery outturn.

Crossrail Limited Former Chief Executive's Performance Award

- 4.10 The Committee noted that its role was limited to commenting on the decisions of the Crossrail Limited (CRL) Remuneration Committee and it had no authority to change those decisions.
- 4.11 The Committee noted the decision made by the CRL Remuneration Committee on the former CRL Chief Executive's performance-related payment in recognition of his achievements in the financial year 2017/18. It further noted that the CRL Chief Executive was not made a Long Term Incentive Plan Award for 2017/18 in line with the decision made in 2017.
- 4.12 In recognition of the importance of the Crossrail project to TfL, the Committee welcomed the appointment of two Board Members to the Board of CRL, in addition to Mark Wild, to help ensure integration of CRL and its processes into TfL.

List of appendices to this report:

None

List of Background Papers:

Papers submitted to the Remuneration Committee on 13 June 2018

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