



Date: 3 July 2013

Item 7: **Crossrail Limited Long Term Incentive Plan Performance Targets 2012 – 2019**

This paper will be considered in public

1 Summary

- 1.1 The purpose of this paper is to consult the Transport for London (TfL) Remuneration Committee on the outcome of the review and proposed changes to the Crossrail Limited (CRL) Long Term Incentive Plan (LTIP) performance targets for 2012 – 2019, for incorporation into the CRL Remuneration Framework.
- 1.2 A paper is included on Part 2 of the agenda, which contains exempt supplemental information and documentation. The information is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the financial affairs of a person or authority. Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.

2 Recommendation

- 2.1 **Having considered the feedback from TfL, the Crossrail Limited (CRL) Remuneration Committee decided that, subject to consideration of any further feedback from TfL which may arise from the consideration of this paper, the Crossrail Limited Long Term Incentive Performance Targets (2012 – 2019) will be revised as set out in Appendix 1.**

3 Background

- 3.1 The CRL Remuneration Committee agreed to bring LTIP performance targets for 2012 – 2019 to the TfL Remuneration Committee by September 2012. At its meeting of 24 May 2012, the CRL Remuneration Committee considered a set of LTIP performance targets for 2012 – 2019 and submitted these to TfL for consideration.
- 3.2 At its meeting in November 2012 (and in subsequent letters from the London Mayor, dated December 2012, and the TfL Commissioner, dated January 2013) the TfL Remuneration Committee provided CRL with feedback on the LTIP performance targets. CRL has given further consideration to this matter and undertaken a further review of what might constitute suitable targets and milestones in the current economic climate. In light of this, the CRL Remuneration Committee proposes a revised set of targets for consideration.
- 3.3 The LTIP performance targets for 2012 – 2019 are set out in Appendix 1. These represent a series of targets that meet the requirements to both retain

members of the LTIP Scheme, while ensuring that there are clear Performance Targets linked to any LTIP Award and Payment.

4 LTIP Scheme

- 4.1 The arrangements governing the LTIP are set out in the LTIP Rules.
- 4.2 Unlike the annual incentives, which are based on the achievement of programme related performance objectives, the LTIP is primarily focused on retention and successful progress through key milestones. These milestones are challenging yet also support the LTIP as a retention tool. In addition, the LTIP also strongly incentivises the achievement of Crossrail's funding and financial targets and delivering the project safely.
- 4.3 The LTIP is an essential part of the CRL retention strategy for key individuals. The need for an LTIP was set out in the Shareholder Agreement entered into by both Sponsors.
- 4.4 There are currently only five employees in receipt of an LTIP.
- 4.5 The Master Control Schedule, as approved by Sponsors, was used to determine the milestones, ensuring these reflect key project deliverables. The funding and efficiency targets are aligned with the project's Intervention Points, thus adding further incentive to deliver the project within the agreed funding envelope.
- 4.6 The CRL Remuneration Committee will keep these arrangements under review to ensure they remain relevant and appropriate. TfL will be consulted on any substantive changes to the LTIP milestones.
- 4.7 The LTIP payments are weighted towards the end of the project, with the largest payment due at project completion. This will aid the retention of key individuals through the life of the project. The first LTIP payment was due in September 2012. The final LTIP payment will only be due once the requirements for a fully operating railway, as set out in the sponsors agreements, are met.

List of appendices to this paper:

Appendix 1: LTIP performance targets 2012 – 2019

A paper on Part 2 of the agenda contains exempt supplemental information.

List of Background Papers:

Crossrail Remuneration Committee paper, May 2012

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Appendix 1 LTIP Performance Targets



	Objective	Measures
Safety	Deliver 'Target Zero'	To determine whether the project is being delivered safely the remuneration committee will take into consideration :
	<ol style="list-style-type: none"> Strive for excellence in industry health and safety through continued focus on the health and safety performance index (HSPI) Exemplify project wide health and safety leadership 	<ul style="list-style-type: none"> HSPI performance of contractors Any work related fatality

	Objective	unsatisfactory	satisfactory	Enabling activities
Funding & Efficiency	Deliver the project within budget	Above IP1 plus Sponsor Instructed Costs	At or below IP1 plus Sponsor Instructed Costs	To determine whether the project is being delivered within the funding envelope and efficiently the remuneration committee will take into consideration :
	<ol style="list-style-type: none"> AFCDC on target (forecast) Actual expenditure remains below IP1 plus Sponsor Instructed costs (£168m at SACR 9) 			<ul style="list-style-type: none"> Demonstrable reduction in exposure to risks Effective and efficient management of indirect costs Procurement activity concluded within budget Good commercial discipline maintained Challenge/support investment proposals to ensure decisions represent value for money

	Performance Period	Performance Milestones	LTIP Assessment Date	Target Date Payment
Schedule	2012/13	<ol style="list-style-type: none"> Wallasea Island ready to accept soil/operational Award final station (Bond Street) contract 	March 2014	September 2014
	2013/14	<ol style="list-style-type: none"> C610 contract placed (system wide) TBM launch at Plumstead 		
	2014/15	<ol style="list-style-type: none"> Rolling stock and depot contract awarded 	March 2016	September 2016
	2015/16	<ol style="list-style-type: none"> Completion of all civil engineering works Pudding Mill Lane portal handed over Thames Tunnel eastbound TBM dismantled and removed 		
	2016/17	<ol style="list-style-type: none"> Woolwich ready for system wide installation Track installation completed – X+Y drives Energise Permanent Power C610 	May 2018	September 2018
	2017/18	<ol style="list-style-type: none"> Stage 1 opening Liverpool St H/L Shenfield First train delivered to OOC for Heathrow to Paddington H/L 		
	2018/19	<ol style="list-style-type: none"> Stage 2 opening Paddington H/L to Heathrow Stage 3 opening Paddington L/L to Abbey Wood Stage 4 opening Paddington L/L to Abbey Wood & Shenfield Stage 5 opening Maidenhead/Heathrow to Abbey Wood & Shenfield 	December 2019	End of Programme