

GREATER **LONDON** AUTHORITY

Our Ref: MGLA030119-2238

12 February 2019

Dear

Freedom of Information Act request

Thank you for your request for information which asked for the release of the following information:

Please can you send me a copy of the review by Dawn Jarvis into senior staff severance payments across the GLA that was commissioned by the Mayor last year?

<https://www.london.gov.uk/press-releases/mayoral/new-review-into-senior-staff-severance-pay>

Can you also send me details of any recommendations made to the Mayor in light of the report, and details of any decisions?

I can confirm that the GLA holds the information you have requested and this information accompanies this letter.

If you have any further questions relating to this matter, please contact me, quoting the reference at the top of this letter.

Yours sincerely

Ian Lister
Information Governance Manager

If you are unhappy with the way the GLA has handled your request, you may complain using the GLA's FOI complaints and internal review procedure, available at:

<https://www.london.gov.uk/about-us/governance-and-spending/sharing-our-information/freedom-information>



FINAL - REPORT

Dawn Jarvis

Review Lead

4 September 2018

1. Background and Introduction

1.1. In late May 2018, The Mayor of London - Sadiq Khan, appointed Dawn Jarvis, ex-NHS and Central Government HR Director, to carry out a review into termination clauses and payments. Specifically, whether termination clauses in contracts of senior employees of the seven organisations that form the GLA Group, were being used: -

- 1.1.1. in line with their relevant policies;
- 1.1.2. effectively regarding the use of public money; and
- 1.1.3. make any recommendations for the future.

1.2. The seven organisations referred to are listed alphabetically below: -

- 1.2.1. Greater London Authority (GLA);
- 1.2.2. London Fire Brigade (LFB);
- 1.2.3. London Legacy Development Corporation (LLDC);
- 1.2.4. Mayor's Office for Policing and Crime (MOPAC);
- 1.2.5. Metropolitan Police Service (MPS);
- 1.2.6. Oak Park Development Corporation (OPDC); and
- 1.2.7. Transport for London (TfL).

1.3. The terms of reference for the review (shown below) were agreed and shared with the HR Directors or equivalents in all seven organisations who were asked to provide any assistance required to the review, and a news release announced the review on 1 June 2018.

"The review will look at the policies and practices of the 7 GLA Group organisations in relation to senior staff, specifically their approaches to severance payments, contractual notice periods and other related contractual agreements and the application of these policies. Recommendations will then be made about whether they are appropriate going forward, and if not, what changes may be made. The review will consist of desk-based research, interviews and culminate in a written report presented by the summer."

2. Methodology

2.1. Contact was made with all seven organisations, and they were asked to provide a range of documents to provide helpful background for the review as follows: -

- 2.1.1. policies (links or pdfs) on recruitment, contracts and pay, or any others which related to this matter;

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- 2.1.2. minutes of the governance meeting or committee where they were approved or ratified;
 - 2.1.3. copies or, or links to latest annual reports, and previous two annual reports; and
 - 2.1.4. definition of what each organisation classed as “senior staff” for the purposes of this review.
- 2.2. These documents were reviewed and follow up meetings were set up with representatives of the seven organisations to discuss the content of the documents and ask any supplementary questions. These meetings took place on 22 and 25 June 2018 with HR Directors or equivalents in all seven organisations.
- 2.3. The main points of clarification were: -
- 2.3.1. notice periods agreed on appointment (whether they were too long or long enough);
 - 2.3.2. how the policy on exits was applied;
 - 2.3.3. how senior salary agreements, changes and exits were agreed and governed;
 - 2.3.4. whether there was an appropriate degree of separation between decision making; and
 - 2.3.5. We also discussed the joining up, or not, of the HR community across the GLA Group, and whether more joining up would be helpful or desired.
- 2.4. Information was also provided by one ex-employee of TfL who contacted Dawn Jarvis following the news release to provide information of areas of concern. These areas, if relevant to the terms of reference, were included in the areas for discussion at the interview with TfL. The individual raised some areas of concern that were not relevant to the terms of reference and they were provided with the appropriate independent channels through which to raise their concerns.

3. Findings

- 3.1. Several of the smaller organisations share similar policies and approaches, with both the development corporations mirroring the policies of the GLA, bringing a level of standardisation across GLA, ODPC and LLDC, with MOPAC generally setting their own, or using Civil Service terms and conditions (for their pension scheme).
- 3.2. Both the MPS and LFB are tied to national agreements for most of their staff, and their non-uniformed staff follow terms and conditions generally aligned either to the civil service/local government or to those applicable to their uniformed colleagues.

- 3.3. TfL, as a large and complex organisation, sets its own terms and conditions, and had several changes to the senior manager population because of the 2016 Senior Manager Exit Programme and the Transformation Programme, meaning there have been a number of senior exits. With the smaller and uniformed organisations exits being in single figures.
- 3.4. Notice periods were mostly consistent at 3 months, with some reporting the ability to shorten them by agreement and some reporting they had agreed a longer period if required for handover. However, in some instances this has presented occasional difficulties where retaining senior officials to complete a thorough handover has proved problematic, or the reverse where it may have been better for the individual to leave sooner. Some organisation felt there was occasionally an operational need to vary notice periods, depending on the role and the context in which they were employed. An overview of the notice periods is given below.

	Notice period	Variances from this
GLA	3 months	None found but as per recommendation 5.1.2 it would be helpful for each organisation to check the contracts of all staff which are designated to be senior as per the definition in recommendation 5.1.1.
LFB	6 months for Directors, three months for other senior staff	
LLDC	3 months	
MOPAC	3 months	
ODPC	3 months	
MPS	3 months	Some older contracts may default to (e.g. civil service terms in MPS) six months, hence a full check required as above or other older or individual contracts.
TfL	6 months for Directors, three months for other senior staff	None found but as per recommendation 5.1.2 it would be helpful for each organisation to check the contracts of all staff which are designated to be senior as per the definition in recommendation 5.1.1.

- 3.5. Policies for exit payments were generally consistent and followed what may be expected across the public sector, although the 2016 changes https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/555304/reforms_to_public_sector_exit_payments_consultation_response.pdf including a cap on payments, a cap on number of weeks etc now used in the Civil Service and the NHS has not been universally adopted. This is due partly to the variance of type of organisation and the section in the response the consultation which covers local government, fire and police forces. This refers to those different contractual approaches and offers a view in section 2.25 that *“The*

government does not believe there is a case at this time for, for example, a single exit compensation scheme across all workforces, or a single set of unified exit terms that cover every workforce. This government response does not therefore propose to change the mechanisms through which exit terms are currently delivered.”

- 3.6. Given the varied nature of the GLA Group organisations by size, union representation and various transformations that have been agreed (with unions) on existing terms and conditions, it would be problematic to move to an adoption of these reforms across all seven organisations at the same time; indeed, this is not an expectation of the government as they recognise the varied nature of organisations across the public sector. Furthermore, it would not be possible to introduce changes to the exit payment arrangements that would be consistent with the government’s framework without the government making changes to the legislation governing compensation for each organisation in the GLA Group.
- 3.7. While there are governance and decision-making routes in all organisations for the approval of exit payments, there is a differential approach to who makes decisions in the seven organisations and while some have very well thought through escalations and separation of duties via a remuneration committee, others do not have such a robust approach. This review has not found that this has presented any issues up to this point.
- 3.8. However, CEOs taking decisions on salary increases or exit payments of their executive colleagues without recourse to external or non-executive type scrutiny could bring about unhelpful accusations in the future and does not provide the level of transparency required. For example, the 2016 report by the Financial Reporting Council <https://www.frc.org.uk/getattachment/ca7e94c4-b9a9-49e2-a824-ad76a322873c/UK-Corporate-Governance-Code-April-2016.pdf> in section D.2.2 and D.2 supporting principles, states that ***“The remuneration committee should have delegated responsibility for setting remuneration for all executive directors and the chairman, including pension rights and any compensation payments. The committee should also recommend and monitor the level and structure of remuneration for senior management. The definition of ‘senior management’ for this purpose should be determined by the board but should normally include the first layer of management below board level”,*** and that ***“the remuneration committee should take care to recognise and manage conflicts of interest when receiving views from executive directors or senior management or consulting the chief executive about its proposals”.***

	Decision make route/committee	Notes
GLA	Chief Officer	Chief Officer takes decisions following formal advice from legal/hr /finance and also review/a signature from the Executive Dir Resources If PILON forms part of the exit payment a similar scrutiny is undertaken That Mayor / LA determine T&Cs of statutory officers
LFB	London Fire Commissioner	Terms of Reference could be more specific about which types of payments required to appear
LLDC	Chairman's Committee	Monitors pay and performance, including annual pay review and pay increases of the executive team and/or exit payments. The CEO has delegated authority to make decisions on pay where staff may, for example, be appointed above the first point of the pay scale.
MOPAC	CEO and CFO sign off	No remuneration committee During the writing of the report MOPAC is in the process of setting up a remuneration committee which consists of the Head of HR, Chief Executive, CFO and Director of DARA (who is the lead for PCS trade union relations).
MPS	Remuneration Committee	Terms of Reference could be more specific about which types of payments required to appear
ODPC	CEO decision/Appointments and Remuneration Committee (RemCom)	CEO sits on appointments committee as there is no remuneration committee The OPDC do have an Appointments and Remuneration Committee (RemCom) The Appointment and Remuneration Committee will approve termination of Executive Management team that includes more than six months' salary costs or equivalent. All other settlements that include more than PILON are reserved to the Chief Executive Officer.

TfL	Remuneration Committee (Remcom)	Exit payments, PILON, settlement agreements or severance payments do not go to Remcom
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4. Conclusions

4.1. This review has generally found that all organisations have satisfactory and appropriate policies for appointing, agreeing initial and developing salaries and agreeing exit payments for senior officers. However, there are one or two areas where these matters could be strengthened to make sure that such policies keep up with what Londoners might expect from their organisations as efficient, progressive best practice. These are set out in the recommendations below and would, enhance the transparency of practice regarding GLA Group senior salaries.

5. Recommendations

5.1. There are three main recommendations: -

5.1.1. **Definition of senior staff.** Firstly, it would be helpful to have a wholly standard understanding, based on either levels of pay, or place in the hierarchy or both, of what constitutes senior staff. It has been unhelpful to this review and will be unhelpful to future practice to have each organisation defining this, even in a slightly different way. Clearly in smaller organisations, depending on where the threshold it set there will be a smaller number and in larger organisations there will be more. Several organisations use the threshold of £100,000 annual salary, but it would be helpful to be specific about whether, or not, this includes bonuses, overtime and pensions contributions as this is currently inconsistent across each organisation. ***It is recommended that each organisation provides a full list of all named posts (vacant or filled) containing a basic salary over £100,000 and a separate list of those posts that report directly to the CEO or equivalent, and one layer down from that. This list across the GLA Group should be reviewed by the Mayor's office and working with each organisation, decisions should be taken about the removal of any large groups of roles, for whom a national pay agreement for example, takes them over £100,000 but where it is clear they do not fit into the definition of "senior staff". The final agreed list should be agreed by the remuneration committee or equivalent annually and included in the annual report, and this definition listed as "senior staff". All other payments to the group then agreed as "senior staff" should also be reviewed annually, in retrospect, by the remuneration committee or equivalent in the following format. Further there should be as much***

standardisation as possible, given the varied size and construct of each organisation, as possible. This will help the public understand what the GLA group means when it refers to “senior staff”.

Post	Basic Salary	Pension contribution	Expenses	Bonus	Overtime	Other payments e.g. exit etc
XX	£	£	£	£	£	£xxx

5.1.2. **Notice Periods.** Secondly, it would be helpful to move to a standard three-month notice period in contracts at the start of employment in senior posts in all cases unless an exception needs to be agreed. This should take effect for all new appointments and organisations that either do not have this, or who still have senior staff on longer or shorter notice periods, should provide a schedule of those employees to the Mayor’s office and a timeline suggesting when they may be able to move to three months as standard. After that point any deviation from three months, as occasionally this may be thought to be useful or necessary, should seek input from the Mayor’s office prior to the decision being made at the organisation’s relevant governance body. ***It is recommended that a full list of individuals who have anything other than a three-month notice period be drawn together and an assessment of the risk this creates for the organisation be made, along with an assessment for current staff of whether these can be changed by consultation, or on a timeline associated with turnover.***

5.1.3. **Oversight and separation of duties.** Thirdly, there should be a strengthening and/or a transparency of the separation of decision making regarding senior officers pay, notice periods and exit payments. In most cases there is a separation of duties, but not always covering all payments and it is not always as clear to the outsider as it could be. Some organisations take salaries, additions to salaries, exit payments and pay in lieu of notice payments to their remuneration committee or their public accountability committee. Some bring one or more of those things but not all. It would be helpful to have a clear list of items, and it is recommended that these be anything that has an impact on payments made to those in the senior group as it should be defined in 5.1.1. Decisions on such payments may not be able to be taken away from the delegated authority of the CEO or equivalent, depending on the construct of that organisation; however, oversight from or the advice of the organisation’s remuneration committee or equivalent should be sought. The main purpose of this recommendation is to ensure a separation of the relationship between direct reports and the CEO is maintained when agreeing is needed on any remuneration matters.

Removing that decision, where appropriate, or including an oversight or advice seeking stage from some form of non-exec, or separate committee on which the CEO does not sit, provides a clearer level of transparency across all seven organisations. ***It is recommended that each organisation provide suggestions for how they might improve their current arrangements regarding decision making or separation of duties. Alternatively, they provide a statement that their arrangements do not need improving, because they already meet the spirit of the recommendations in this report. This statement should then be reviewed for consistency and be a matter of annual review.***

- 5.1.4.** Finally, each organisation should be asked to respond to the Mayor, in writing, to these recommendations by 31 October 2018, with suggestions for how and when they may be implemented. The Mayor should then prepare and publish a report summarising this information.

Grateful thanks from Dawn Jarvis

“I would like to thank the staff of each of the seven organisations who have provided speedy responses, documents and dates for interviews, and their time and commitment to support a thorough and timely concluded review. I would like to thank Amelia Hicks, HR Apprentice (GLA), who has provided excellent administrative support throughout the review.”