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**From:** Graeme Bissett [graeme.bissett@██████████]  
**Sent:** 01 September 2009 20:30  
**To:** Richard Jeffrey  
**Subject:** RE: Today's presentation on Bonuses.

Richard, I've summarized below the comments I made earlier today, plus a couple of further thoughts. I have not attempted to document the responses from you and others !

1. CEC (through Tom) will approve the remuneration policy principles, now and then every three years, according to the last draft of the OA. This may change but the proposal discussed today will almost certainly need to pass a CEC test in a difficult period for Council funding. The comparison of terms between tie / TEL and CEC staff is another sensitive area. Against this background, the best plan is for tie / TEL management to put its best foot forward and set out a sensible proposal. Retention through key project stages is a vital issue here, not generally relevant to CEC staff and policies and this should feature in the supporting comment.
2. Alignment of reward with demonstrably successful achievement – measured as stakeholder success – will be critical. It will be hard to establish robust completion targets (cost and programme) against the background of the dispute as the range of outcomes is disproportionately large relative to the sliding scale. However, if you are not minded to adopt short-term measures until more certainty is available, I recommended that £545m (or better) be regarded as the 100% cost achievement measurement with a sliding scale say up to £600m (i.e +10% on the reset budget). The stretch programme target could be justified as February 2012, with a sliding scale of a further 4 months (i.e +10% on the reset programme duration). This provides a reset cushion of £33m and c6months, which can be justified as relating to BSC's unforeseeable intransigence.
3. I agree that there should be a form of tie H&S performance override, possibly through the Safety Comm and external validation .
4. Possible inclusion of some measure of citizen / stakeholder satisfaction as a performance criterion. "Support for trams" ; city centre retailer surveyed attitudes.
5. Challenge to the outline discussed today might focus on 1) 50% for senior managers could be regarded as generous in a tight public funding market and indeed in the private sector. Though less so, to the extent that the reward is demonstrably a form of LTIP ; 2) 25% ditto, and this will be the measure most easily compared to CEC policies ; 3) reset at advantageous thresholds.
6. In general, there is a need these days to demonstrate convincingly that the existence of the incent arrangements is likely to have a positive motivational effect. Straight salary or minimum bonus terms are increasingly common.
7. The rewards should be entirely at Board discretion, but with embedded protections for staff in their contracts or award letters to ensure that the Board acts reasonably.
8. The targets and the outturns could be agreed to be subject to a sensible level of external verification

9. The existence of claims (either by or against tie) at completion can be accommodated by stipulating a 12/18 month period before final bonus payout decisions are made, perhaps allowing some payment early. Need to watch the optics here, substantial deferral would become known and could reinforce BSC positions.
10. The scheme will force clear delineation between staff groups from different members of the family. Need to leave flexibility to allow for tie / TEL migration.

For the record, I have no financial interest in these proposals given my separate advisory services relationship.

Regards  
Graeme

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Graeme Bissett

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**From:** Richard Jeffrey [mailto:Richard.Jeffrey@tie.ltd.uk]

**Sent:** 01 September 2009 13:50

**To:** Steven Bell; Stewart McGarrity; Graeme Bissett (external contact); wwcampbell@lothianbuses.co.uk; Susan Clark; Mandy Haeburn-Little; Alastair Richards - TEL

**Subject:** Today's presentation on Bonuses.

Please destroy the hard copies I gave you today.

Please let me have any comments by e-mail asap

Alastair, we need to discuss when you are back in the office please, thanks

R

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