

Transport and Environment Committee

10.00am, Thursday, 8 December 2022

Lothian Buses – Appointment and Remuneration of Executive Directors

Executive/routine Wards Council Commitments	Routine All
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1. Recommendations

- 1.1 Transport and Environment Committee is asked to:
 - 1.1.1 Note that the appointment of Directors to the Board of Lothian Buses Limited (LB) and executive remuneration are Reserved Matters, which require the consent of the Council; and
 - 1.1.2 Approve the appointments and remuneration recommendations of the LB Board, as set out in paragraphs 4.3 – 4.4 of this report.

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Executive Director of Place

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Report

Lothian Buses – Appointment and Remuneration of Executive Directors

2. Executive Summary

- 2.1 This report seeks approval for the appointment of Executive Directors to the Board of Lothian Buses (LB) and for the remuneration of the Executive Directors, as set out below.

3. Background

Lothian Buses – Majority Shareholder Agreement Reserved Matters

- 3.1 Under the provisions of the Majority Shareholder Agreement (MSA) LB undertakes that it shall ensure that, save with the prior written consent of the Council, it shall not affect or propose certain Reserved Matters.
- 3.2 Reserved Matters require the prior written consent of the Council and include the appointment or removal of a Director and making any change to the remuneration paid to the Managing Director and/or any Executive Directors of LB.
- 3.3 The 1985 Transport Act requires the Council and the Company to have at least three Executive Directors appointed to the Board. As a result of Interim Managing Director Nigel Serafini's recent decision to retire, only Sarah Boyd and John Benson remain in post as Executive Directors.

4. Main Report

Lothian Buses – Appointment of Directors and Executive Team Remuneration

- 4.1 On 17 November 2022, the Council received a request from LB to give due consideration to the appointment of two new Executive Directors.
- 4.2 In his letter to the Council, the Chair of LB confirmed that under the leadership of Sarah Boyd, the LB executive team are making very good collective and cohesive progress on strategic and operational priorities that will continue to contribute to the company's post COVID-19 recovery and the planned approach to carbon neutral transition.

- 4.3 In accordance with (Schedule 1 Consent Matters 5) of the MSA, the LB Board requests the consent of the Council to appoint Colin Barnes and Willie Hamilton as Executive Directors of LB:
- 4.3.1 Colin will take up the post of Engineering Director at LB in January 2023, following the retirement of the previous postholder and an extensive recruitment process; and
- 4.3.2 Willie has been appointed to the role of Acting Operations Director, for the duration of Sarah Boyd's appointment as Interim Managing Director. The Board's view is that Willie should be appointed as an Executive Director for the duration of his acting appointment and, should he revert to his substantive post, he will step down as an Executive Director.
- 4.4 Also, in accordance with (Schedule Part 1 Consent Matters 14) of the MSA and assuming the agreement of the Council of the appointment of Colin and Willie to the role of Executive Director, the LB Board requests the approval of the Council for remuneration for the Executive Directors of LB as set out below. These remunerations have been reached following independent assessment of the Korn Ferry MD benchmarked salary range:
- 4.4.1 Remuneration of £180,000 per annum for Sarah Boyd, as Interim Managing Director. It should be noted that this is less than the amount paid to the previous Interim Managing Director and that Sarah has volunteered to forgo consideration for a bonus;
- 4.4.2 Remuneration of £135,000 per annum for Colin Barnes. The Board have confirmed that this placing reflects the competitive bus industry market for Engineering Directors;
- 4.4.3 Remuneration of £114,000 for Willie Hamilton while he is acting up to the role of Operations Director. Should Willie return to his substantive post, he will also revert to his substantive salary; and
- 4.4.4 An increase in remuneration for John Benson from £133,488 to £139,710 in recognition of additional responsibilities associated with the Company Secretariat function and the strategic systems function which are now fully under John's remit and responsibilities.

5. Next Steps

- 5.1 If the appointments and remuneration recommendations are agreed for the executive team of LB, this will be confirmed in writing to the Board of LB as soon as reasonably practicable.

6. Financial impact

- 6.1 The salary costs outlined in this report are fully met from the budget of LB.

7. Stakeholder/Community Impact

7.1 None.

8. Background reading/external references

8.1 None.

9. Appendices

9.1 None.