

Date: 21 September 2023

Item: Enterprise Risk Update – Attraction and Retention of our Employees (Places for London-L0-2)

This paper will be considered in public

1 Summary

- 1.1 This paper provides an overview of Places for London Limited’s Level 0 Enterprise Risk “Attraction and retention of employees”. (ER L0-2).
- 1.2 A paper is included on Part 2 of the agenda which contains exempt supplemental information that is exempt from publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business affairs of Transport for London (TfL). Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.
- 1.3 The risk is defined as “where significant challenges to attracting and retaining people with critical skills may affect the ability of Places for London to achieve its business plan, deliver homes for Londoners and generate value for both its customers and TfL”.
- 1.4 Failure to attract and retain suitably skilled employees could result in business underperformance, failure to deliver against shareholder milestones, reductions in income from tenants or development schemes, missed housing targets, negative impacts on safety and a deterioration in the reputation of Places for London.
- 1.5 We have seen a ongoing pattern of experienced people leaving and being replaced with non-permanent employees. Currently this risk is assessed as High. While some controls for this risk are already in place, further controls are under development. As such, the current management status of this risk is assessed as “requires improvement”.
- 1.6 We have identified a number of key controls and actions to improve control of this risk, with action owners and outline timescales assigned. These actions include the introduction of a resourcing strategy alongside creating and articulating an effective development and career progression framework for employees at all stages of their career. These will allow us to 'grow our own' talent. The procurement of proposed Strategy Partner and Delivery Partner (see agenda item 12) will be a parallel approach to ensure we maintain the required pace of delivery.

1.7 Whilst some new actions are being proposed here, others are already underway with all due to be completed within the next twelve months. Progress against these actions will be reviewed in twelve months' time.

1.8 This risk is assessed as medium once the identified actions are completed.

2 Recommendation

2.1 **The Committee is asked to note the paper and the exempt supplementary information on Part 2 of the agenda.**

3 Context

3.1 This Enterprise Risk relates to the potential impacts on Places for London arising from an inability to recruit and retain individuals with the skills, knowledge and experience that Places for London needs to deliver on its objectives. These could be failure to meet income and homes targets, a reduction in service to our customers, risks to safety, deterioration in the reputation of Places for London or an inability to realise a shareholder return to TfL. We are currently facing significant challenges to our ability to attract and retain critical skills and need to reassess how we continue to recruit and retain a workforce with the skills and knowledge we need to achieve our business plan, deliver homes and make a financial return to TfL.

3.2 The key causes of this risk were agreed by the Places for London Executive Team and colleagues in TfL's Risk and Assurance Directorate and are described in the Part 2 paper. The principal ones are :

- (a) **dynamic employment market** – we are competing for specialist talent in a relatively dynamic employment market. Although the current economic climate has seen some developers put schemes on hold, with the result that more property development specialists are available, once the development market recovers, we will struggle both to recruit new staff and retain existing talent in this area. There also continues to be a shortage of property asset management specialists, especially at senior levels;
- (b) **pay and other benefits out of step with the market** – benchmarking shows that several years of pay constraint have seen our levels of pay fall behind market median, especially for senior roles with our pay structure out of step with the market for specialist skills. Responses to the most recent staff engagement Viewpoint survey (September 2022) revealed a further decrease in the number of employees reporting they feel their pay is fair considering the work they do;
- (c) **rising cost of living** – inflation and rising energy bills may lead to increased salary expectations. The combination of cost-of-living pressures, and a volatile employment market may mean salary level becomes a primary factor in decisions to join, or leave the organisation over the next 12 months;
- (d) **our employment offer becoming less attractive** – other elements of our package may also become less attractive. With hybrid working more common, our travel benefits may be perceived as less valuable. We do not

currently have a Places for London 'employee value proposition' that articulates what prospective employees can expect from a career here; and

- (e) **uncertainty over development and progression** – we do not provide colleagues with clear career paths, based on development and progression within their grade and through promotion. We do not have effective succession plans in place for some critical roles, risking overreliance on non-permanent/consultant labour, especially given the importance of maintaining pace on the programme.

4 Controls and Mitigations

- 4.1 Places for London has identified 17 controls to manage this risk, consisting of 14 preventative controls and three corrective controls detailed in Part 2. These reflect that Places for London is still developing as an organisation and that there is ongoing work to optimally control this risk. Progress will be kept under review over the coming year.
- 4.2 Four of the controls – trade union engagement, use of secondments, our graduate and apprentice scheme and the use of our employee engagement survey, Viewpoint, have been assessed as currently effective in both design and operations. Work is required to ensure the remaining thirteen controls are effective in both design and operation.
- 4.3 The following controls and high priority actions are considered to be the ones that will have the greatest impact. All actions will ensure that the controls are effective in both design and operation, and all have all been assigned an owner and will be completed within the next 12 months.
 - (a) **a robust resourcing strategy** – one which identifies the resources we will need to deliver our key objectives and how we will access these, whether that is through our own employees or via delivery partners. We will develop a resourcing strategy which will identify what resources are required and which roles may be hard to fill. We will adapt our operating model accordingly and develop solutions to meet these resource challenges. Our proposed procurement of both a Strategy Partner and a Delivery Partner will be an important mitigation, but we recognise there are certain functions core to our business, that will always need in-house capability;
 - (b) **reward management** – whilst remaining within existing TfL and Greater London Authority (GLA) policies, we are keen to examine options to create a more direct link between long-term business performance / shareholder value, and reward. We will work on this with TfL Reward;
 - (c) **clear routes for career progression** – whilst we cannot compete with salaries at the top of the market, having a clear employee offer will be vital to being able to continue to attract and retain people with the skills and talent we need, as will understanding what individuals are looking for from their role and career. We will develop a framework where career progression is linked to the achievement of milestones and performance management focuses on setting clear objectives and giving consistent feedback. We will

establish robust succession plans that are future focused, diverse, inclusive, and transparent, as an important mitigation to our ability to respond to the loss of key individuals;

- (d) **growing our own talent** – developing people to be the best they can be at work is an important part of how we make our employee offer attractive, recruit a more diverse workforce, and meet our future skills requirements. Growing our own is also a mitigation against not being able to offer reward packages in line with market levels. We have to date been relatively successful in recruiting and developing those at the outset of their careers, including graduates and apprentices. We currently have eight graduates and 13 apprentices working towards a professional built environment qualification. We also have another 14 colleagues who were formerly either graduates or apprentices. We will produce a fully funded learning and development plan focusing on real estate disciplines for colleagues at all stages of their careers. We will also prioritise work and training to develop our people leaders and establish a consistent standard of what it means to be a leader of people at Places for London;
- (e) **recruiting and retaining a more diverse workforce** – we must broaden our reach when recruiting to improve the diversity of our workforce especially at senior level. Providing a positive experience when starting employment will help retain people in the organisation. We will also create a more inclusive workplace by embedding Action on Inclusion to help achieve our vision for a more inclusive, diverse, equal organisation. We will seek to develop our junior staff, who tends to be more diverse, for senior roles;
- (f) **collaborating with real estate teams across the GLA** – we will continue to work with the GLA, London Legacy Development Corporation, Old Oak Common and Park Royal Development Corporation and others to develop a joint talent pool, which can be deployed more flexibly across the organisations, according to demand.

5 Conclusion

- 5.1 Places for London has some controls in place that help mitigate the impact of an inability to recruit or retain individuals with key skills. Set out above are additional actions that Places for London has identified which will improve controls and create some additional ones. The actions to deliver these are now embedded within Places for London's plans.
- 5.2 It is of course not possible to fully mitigate or control the demand and supply of suitably skilled property professionals, however, we are confident that with these controls and activities in place, we will be better able to manage the impact of this risk.

List of appendices to this report:

A paper containing exempt supplemental information is included on Part 2 of the agenda.

List of Background Papers:

None

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