

**Date: 11 April 2014**

**Item 7: Target Setting**

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**This paper will be considered in public**

**1 Summary**

- 1.1 The accompanying presentation provides an overview of the process for setting performance targets in Rail and Underground.
- 1.2 The presentation covers the following areas:
  - (a) The principles used for setting measures and scorecard targets;
  - (b) How measures are used strategically to define business aspirations and to monitor progress towards them;
  - (c) Aligning the measures and targets to the Rail and Underground strategy and priorities;
  - (d) The process for setting performance targets within Rail and Underground as part of a pan TfL annual process; and
  - (e) The cascade of scorecards within Rail and Underground.

**2 Recommendation**

- 2.1 The Panel is asked to note this paper and presentation.

**List of appendices to this report:**

Appendix 1: Presentation on target setting.

**List of Background Papers:**

None

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# Rail and Underground Panel

Overview of process for setting performance targets in Rail and Underground

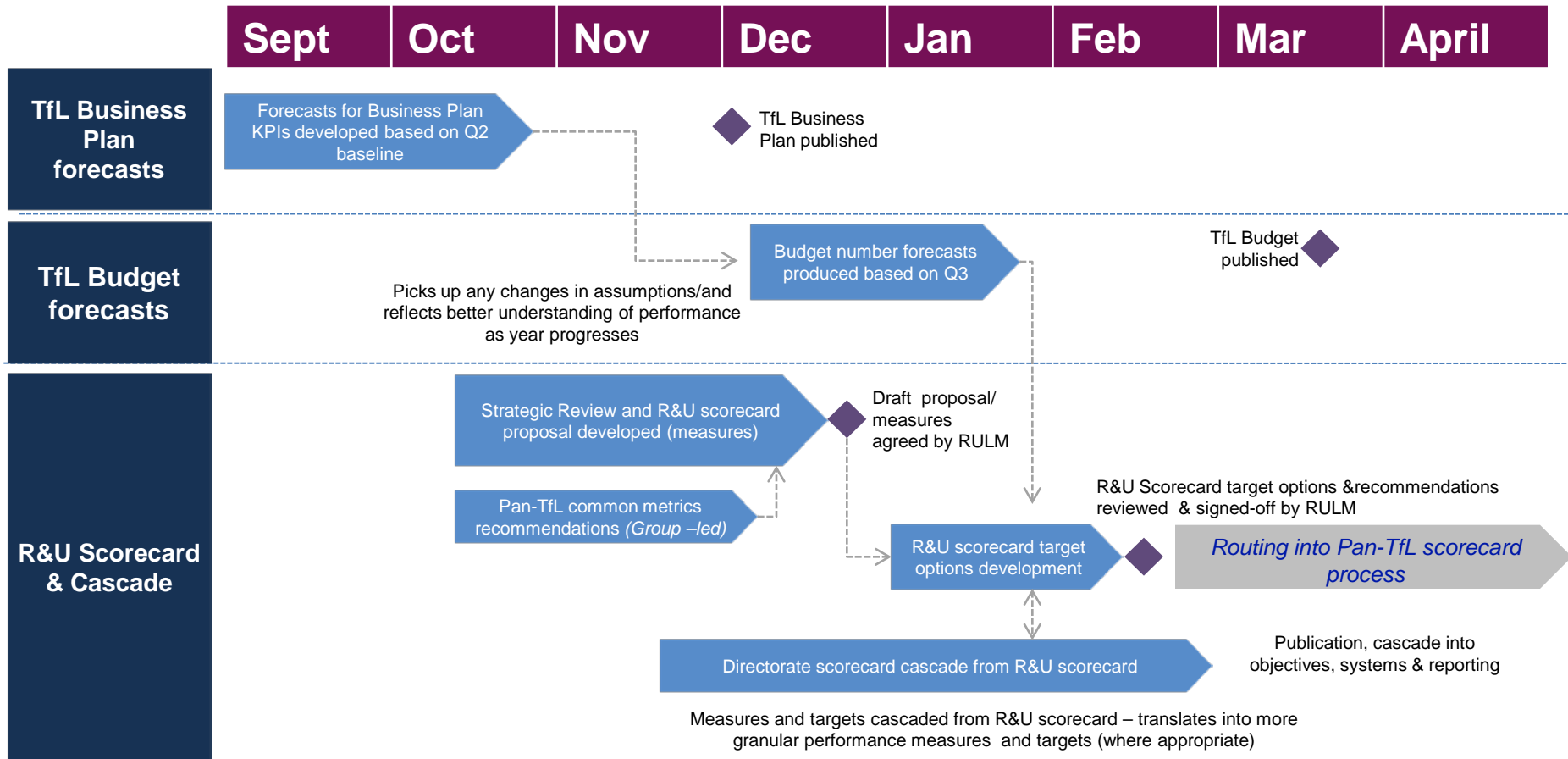
11 April 2014



# The process for setting performance targets within R&U forms part of a pan-TfL annual process

*The process covers both longer term forecasts and in-year targets*

*Illustrative*



# Different measures, forecasts and targets are used in different ways

## Strategic longer term vs. tactical everyday External forecasts/benchmarks vs. Internal stretch targets

Longer Term	TfL Business Plan KPI Forecasts	<b>External</b> – forecasts of longer term performance outcomes for key operational output/outcome measures tied to the Investment Programme (covers 10 Year period)
	R&U Strategic Metrics	<b>Internal</b> Utilised by RUB for long term planning and prioritisation . Used to quantify what is meant by ‘world class’ and measure the strategic health of the business.
Annual /In-Year	TfL Budget KPI Forecasts	<b>External</b> –Key operational output/outcome measures for year ahead (Covers financial year with Quarterly Updates against the forecasts as part of OFR)
	R&U scorecard measures & targets*	<b>External &amp; Internal</b> – assesses and targets in-year performance Mix of measures required to ‘run business’ (internal perspective – esp. measures around people, process or finance) and output/outcome measures tied to longer term strategic aims – a way of cascading and communicating our strategy and immediate priorities
	R&U Directorate cascade – measures & targets	
	Other operational measures	<b>Internal</b> - Other metrics reported to provide greater context/granularity and detail on operational performance

\* Target options include Budget numbers & potential stretch target options aligned to priorities as well as recommendation of Senior Management Reward Framework (SMRF) weightings



# The scorecard cascade in R&U is extensive

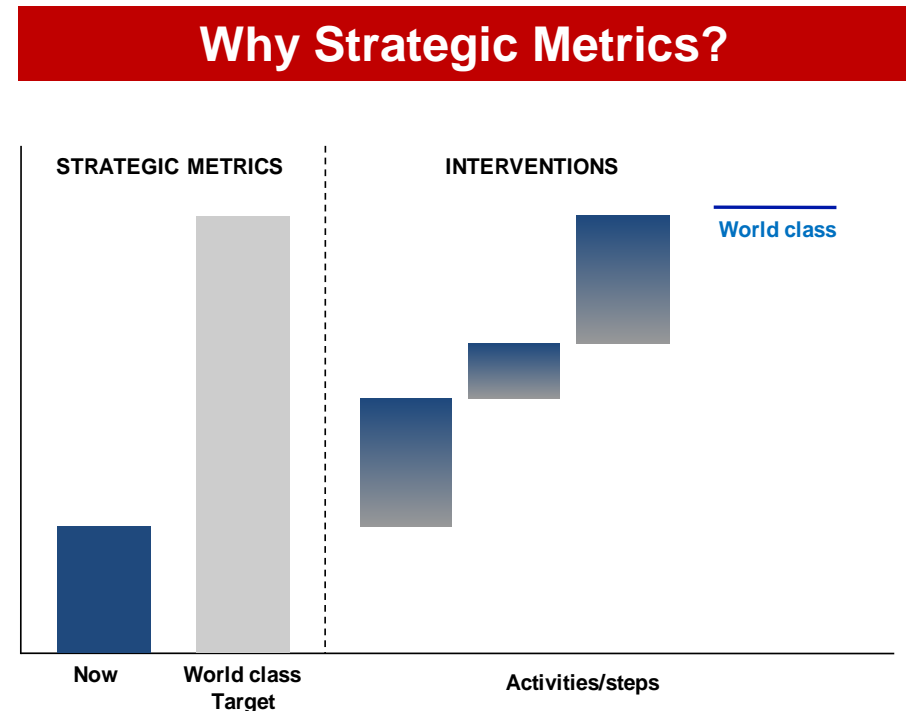
The R&U scorecard is only one part of our scorecard system. It is supported *by directorate scorecards, with further, extensive cascades within COO and CPD*

- Ensures clear internal accountability
- Contains measures that provide line of sight to the R&U scorecard indicating their contribution to strategic level outcomes e.g. LCH and measures used to 'run' their area of the business e.g. attendance/forecast accuracy
- Acts as an 'early warning system' to identify any issues that may affect top level performance



# The measures & targets used within R&U are aligned to our strategy and priorities...

- First introduced in 2009 and since refined to ensure alignment against four TfL pillars of Customer, Delivery, Value & People
- Establishes a **common currency** for talking about business priorities and the strategic health of the business – *beyond service based measures forecast in the Business Plan*
- Provides a **focus for planning and project development** - used to guide short term priorities for the business tied to longer term strategy
- Provides **impetus for action** against a set of 'world class' targets derived from detailed analysis and where possible benchmarking



# This in turn generates and drives our Plan Programmes

## Capital Programmes

Infrastructure Renewals

Legacy Train Systems

Northern Line Extension

Northern Line Upgrade I

Stations ,  
Crossrail & Third Party

Sub-Surface Railway Upgrade

World Class Capacity

New Tube for London

London Rail Capacity & Growth

## Business Change Programmes

Reliability & Safety

Information Communication Technology Transformation

Value & Sustainability

Delivery & Commercial Capability

Access Transformation

Fit for the Future - Stations

People & Engagement

Night Tube

# ... and help us understand the performance improvements needed on the path to deliver this through our in-year Scorecard

Helps articulate our strategic priorities for the year ahead, derived from our long term strategy:

## *Four Pillars:*



## *R&U priorities:*



## *Example of in-year measures:*

**Key measures:** Lost Customer Hours, Excess Journey Time, Overground On-time performance, DLR Departures



**Key measures:** Customer Satisfaction



**Key measures:** % milestone delivery



## *Underpinned by:*



**Key measures:**  
Attendance, R&U  
Viewpoint staff survey



**Key measures:** %  
milestone delivery



**Key measures:**  
Efficiency savings



# Summary: Principles used for setting measures/ targets on the scorecard

The following principles are used to guide scorecard development (*agreed with the R&U Board*):

- ▶ **Strategically derived** - *Clearly articulates priorities for year ahead aligned to our Strategy*
- ▶ **Adopt internal stretch targets in key areas**
  - *Distinguish between Business Plan & Budget KPI forecasts as the minimum level of performance, and adopt more stretching 'internal' scorecard targets in key priority areas*
  - *Contractual targets provide a baseline for setting targets but a stretch option could be considered for the scorecard. (Recognising that to date operators have widely outperformed the contractual baseline while also recognising that it is effect 'willing' performance as there is no contractual incentive to do so).*
- ▶ **Target setting process for key operational metrics (e.g. LCH) must be informed by the long term forecasts** – *e.g. Those set out within the asset and operational plans*
- ▶ **Only include metrics which drive positive action** - *As few measures as possible without using meaningless composites*
- ▶ **Clear communication on measures** - *Clear and timely communication of R&U's stretch targets and priorities before the outset of the year*



# The approach to target setting

How we derive options for targets depends upon the measure in question and its maturity within the business. Target options are derived in conjunction with subject matter experts taking inputs from;

- **Historical trend & data analysis including benchmarking data, key driver analysis and other research**
- **An understanding of all known factors/assumptions that could impact upon performance in the coming year for example:**
  - *The impact of rising demand and intensity of operations*
  - *New asset introduction and step-change in performance from delivery of upgrades*
  - *Deterioration of assets and how we optimise performance to deliver asset capability*
  - *Increased capacity and reliability from new timetables*
  - *Targets do not make allowances for any IR unrest*
- **New forecasts as part of Line Asset Network Plans (incl. Annual Maintenance Plans)** –*detailed performance forecasts for each asset group, based on the investment decisions made within the Business Planning round*
- **The above are used as inputs to feed into strategic models (where appropriate) and conduct ‘bottom up’ analysis to form a set of options and recommendations**

