Motability Operations fully complies with its legal obligations with respect to the reporting and disclosure of director’s remuneration.

As noted in the Select Committee discussions on 9th January, the rules on directors’ remuneration disclosure are contained in the Companies Act 2006 (‘the Act’) and its statutory instruments: the ‘Small Companies and Groups (Accounts and Directors’ Report) Regulations 2008’ (SI 2008/409) and the ‘Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008’ (SI 2008/410).

Motability Operations falls under the definition of ‘Large and Medium-sized Companies’. However, within this categorisation, the detailed disclosure rules vary depending on the type of company; the rules fall broadly into three main sections: those that apply to all companies; those that apply only to unquoted companies; and those that apply only to quoted companies.

Motability Operations Group plc is an unquoted company – it has listed wholesale debt (bonds), but does not have an equity listing.

For unquoted companies, remuneration must be disclosed when it is ‘paid to or receivable by’ the directors in respect of that year. Remuneration receivable is included in the amounts disclosed, regardless of when it is paid to the director. [SI 2008/409 3 Sch 5(4); SI 2008/410 5 Sch 7(4)]. For example, if a bonus is receivable by a director in respect of services performed in year one, but is not paid to the director until year two, it is disclosable as that director’s remuneration in year one.

However, in the case of remuneration that is receivable by a director in respect of a period that extends beyond the financial year, then disclosure is not required in the current period. For example, in the case of a long-term incentive scheme covering a period of three years, where the only condition is for the director to remain in service, the disclosure should be made in year three; similarly, where performance conditions apply which extend beyond the current period, then disclosure is required in the period when those conditions have been irrevocably met. [SI 2008/409 3 Sch 5(4); SI 2008/410 5 Sch 7(4)].

For the reasons set out above, the Long Term Performance Plan (LTPP) for Motability Operations’ CEO, Mike Betts is not receivable in the current period and so, in accordance with the requirements set out under the Companies Act (and related statutory instruments as they apply to unquoted companies), the potential value of the plan is not disclosable. At the relevant point in time in the future, when this plan vests (i.e. when it is paid or becomes receivable and so is certain), then it will become a requirement to disclose the ultimate value of the plan in full.

For the avoidance of doubt, the existence of the LTPP scheme has always been disclosed in note 33 to the financial statements - it has not been hidden - it is simply the potential receivable amount that has not previously been disclosed for the reasons explained above.
Motability Operations’ independent external auditors (PwC), as part of their annual statutory audit of Motability Operations Group plc’s Annual Report and Accounts review the company’s reporting and disclosures (not limited to, but including remuneration disclosures). In their independent auditor’s report to the company’s 2017 Annual Report and Accounts, PwC confirm that:

“In our opinion, Motability Operations Group plc’s Group financial statements and Company financial statements (the ‘financial statements’):

- give a true and fair view of the state of the Group’s and of the Company’s affairs as at 30 September 2017 and of the Group’s profit and the Group’s and the Company’s cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (‘IFRSs’) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.”

PwC’s report to Motability Operations Group plc’s Audit Committee in December 2018 also confirms the appropriateness of the company’s disclosures, as evidenced by the following extract from PwC’s report:

“We have audited the Directors’ Remuneration disclosure within Note 33 to the financial statements and we are satisfied that it is appropriate. Our work included consideration of whether the current value of the Chief Executive’s Long Term Performance Plan (LTPP) is required to be disclosed. Statutory Instrument 2008/4105 Schedule 7(4) requires disclosure of remuneration when it is paid to or receivable by a director in respect of that year. As the award contains a performance condition which if not met could result in no award being paid, any award is not considered receivable until the end of the seven year service period; consistent with prior years this is therefore not required to be disclosed in the financial statements.”

The NAO’s report also acknowledges that Motability Operations has met its legal disclosure requirements. The report states that disclosure (Page 10, para 23) “...complies with minimum financial reporting requirements”.

Whilst disclosures have more than met legal requirements, Motability Operations accepts that, given public and parliamentary interest in the Motability Scheme, a greater level of transparency could be provided and has already acted to implement the NAO’s recommendation in this regard. In Motability Operations’ 2018 Annual Report and Accounts (published on 7th December) disclosures have been significantly expanded within the Remuneration Report (pages 54-58) to now voluntarily include the potential value of all deferred elements of remuneration.

Motability Operations
February 2019