



Northern Ireland  
Assembly

Committee for Regional Development

# OFFICIAL REPORT (Hansard)

Translink Corporate Plan and Annual Accounts

2 July 2014

# NORTHERN IRELAND ASSEMBLY

## Committee for Regional Development

### Translink Corporate Plan and Annual Accounts

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**Members present for all or part of the proceedings:**

Mr Jimmy Spratt (Chairperson)  
Mr Seán Lynch (Deputy Chairperson)  
Mr Joe Byrne  
Mrs Brenda Hale  
Mr Ross Hussey  
Mr Declan McAleer  
Mr Kieran McCarthy  
Mr Cathal Ó hOisín

**Witnesses:**

Mr Stephen Armstrong	Translink
Mr Gordon Milligan	Translink
Mr Ciarán Rogan	Translink

**The Chairperson:** I welcome from Translink Gordon Milligan, acting chief executive; Stephen Armstrong, director of finance; and Ciaran Rogan, director of marketing. None of you is a stranger to the Committee. I ask that you make a presentation and then leave yourselves open for questions.

**Mr Gordon Milligan (Translink):** Chair, I thank you and the Committee for the opportunity to present our year-end accounts and corporate plan, both of which were formally laid in the Assembly Library today. You received our paper, Chair, and I do not plan to go through it in detail. With your support, I plan to highlight some of the key elements.

I will start with passenger numbers: the Translink basic currency and a key measure of our success. Year-end passenger numbers for 2013-14 totalled approximately 80 million, beating the set target of 78 million, which is a Government public service agreement (PSA), and an increase in last year's figure of 78.5 million. Notably, about one million more fare-paying passengers chose to travel by bus or train this year, which is significant. Passenger numbers increased, despite a negative economic climate, and outperformed comparator companies in GB and ROI. Northern Ireland is one of the very few areas to deliver growth in the numbers using bus and rail services.

Indeed, Northern Ireland Railway (NIR) journeys were up by 15% to 13.1 million, the highest since the 1960s and another record year. That represents an increase of over 92% in the last decade. Goldline services were up 4.1% on last year. Metro passenger numbers were like for like, and Ulsterbus services reduced slightly overall.

Park-and-ride services performed well and continue to be very popular. This success has been delivered not least by good operational performance, a significant programme of events, investment in

a new fleet and the current fare freeze. Our fares are generally lower than comparator operators in GB and ROI. We find that, when people get modern trains and buses with good services, such as Wi-Fi, they come back again because they had an enjoyable experience.

The breakdown of the 80 million passenger journeys is that Metro had 26.5 million; Ulsterbus, including Goldline, had 40.5 million; and Northern Ireland Railways had 13 million. Fare-paying passengers made up 45.5 million; concession fares made up 12 million; and schools made up 22.5 million.

Over the last year or two, we have had considerable success with events. We were at the forefront in supporting major events such as the Giro d'Italia, the G8 summit, the Balmoral show and the North West 200, to mention but a few. Indeed, in just a few weeks' time, 92 buses and approximately 130 staff will go across to support the movement of athletes and people attending the Commonwealth Games. That is very similar to what we did during the London Olympics in 2012. We have built up a reasonably good competence in supporting events, which is good for Translink commercially and for supporting tourism in Northern Ireland.

I will outline other measures of Translink's size and scale and the complexity of the organisation. We employ about 3,983 people, and we have an annual wage bill of approximately £132 million. Approximately 1,000 other jobs across Northern Ireland are supported by Translink activity, with a total revenue of approximately £203 million. Not only is Translink a large employer, it brings considerable added value to the local economy.

I will move on to the financial results for the year. In 2012-13, a profit of £9 million was recorded. In 2013-14, we are reporting a profit of approximately £400,000. Why was there a move from £9 million to approximately £400,000? In 2012-13, we had two one-off significant revenue advantages, linked to, as I mentioned, the Olympic Games and the disposal of some land and assets. The majority of the £9 million in 2012-13 was a result of those transactions. You will see from the paper that, in 2014-15, we are budgeting at a loss of £9 million, which derives largely from reduced funding for the concessionary fares scheme. Translink's core trading is largely unchanged.

The Department for Regional Development (DRD) asked that Translink, essentially, break even over a three-year period. You can see from the report passed to the Committee that that is being delivered. However, the financial and funding pressures are significant, not only on revenue and profitability but on funding the group's capital plans.

The accounts show a cash balance of £56 million. A business of Translink's size needs working capital of approximately £15 million of that to pay debts when they are due et cetera. The remaining cash will support self-funded investment and help to fund future losses.

The paper outlines the capital investment aspirations of the group. We need to buy at least 90 new buses a year to keep the fleet average age at about seven years, which is very much in line with industry standards. Northern Ireland Railways requires steady state maintenance of about £40 million a year. There are significant costs in running public transport services.

We are also moving forward on the Belfast transport hub, a required new ticketing system and completion of the Derry rail line. We are working with DRD on Belfast rapid transit (BRT). Overall, the funding position is challenging, particularly the concessionary fares scheme. Thank you, Chair.

**The Chairperson:** Thanks for that, Gordon. I should have welcomed you. I think that it is your first time here as acting chief executive.

**Mr Milligan:** It is the first time. Thank you.

**The Chairperson:** You are very welcome to the Committee. We look forward to working with you until your successor comes into place, which, I understand, will be a wee while yet.

**Mr Milligan:** Thank you, Chair. David Strahan, who has been appointed, has a contractual notice period of 12 months, which takes him to April 2015, but we are hopeful that we will get him well in advance of that date.

**The Chairperson:** Gordon, maybe I could ask some questions first. Can you tell me why Translink prepared only a consolidated income statement rather than a company and consolidated income

statement, as you did in the case of the balance sheet? Do you agree that doing so would make the statements clearer, more transparent and easier to understand?

**Mr Milligan:** I will ask Stephen to comment on that, Chair, if I may. However, first, I will say that we have tried, in showing the management accounts/profitability figures, to simplify the profits or losses over the three-year period, clearly establish our cash reserves and show very clearly how we need those reserves to run the organisation and for further investment. I will ask the finance director to comment further on some of the technical aspects.

**Mr Stephen Armstrong (Translink):** The consolidated accounts cover what is required by statute. We also produce and provide individual subsidiary accounts, which are also available. Each of the Ulsterbus, Metro and Northern Ireland Railways accounts is a separate document.

**The Chairperson:** Do you not want those to be in the public domain to create a situation —

**Mr Armstrong:** They are in the public domain.

**The Chairperson:** They may well be, but why not issue them at the same time as you issue your other statements? That is the question.

**Mr Armstrong:** There is no reason why they cannot be. They are available. It becomes quite a large pack of paper when you add three subsidiary accounts to it. The subsidiary accounts go to the company's office and are available to anyone who wants to see them.

**The Chairperson:** Clarity and transparency are major issues in this day and age.

**Mr Milligan:** Chairman, if that is the preferred method and that information is required, we are very happy to provide it in that way.

**The Chairperson:** OK. We are unable to analyse the journey length because, while the passenger mile figures were provided in the 2012-13 director's report, they are not disclosed in the 2013-14 report. Why is that?

**Mr Ciaran Rogan (Translink):** Stephen, will you take that one?

**Mr Armstrong:** The only passenger miles that we ever published were for the railways. We do not know the passenger miles for the bus companies because there is no tag-off. We are not sure where people get off the bus and, in stages that are quite long, we never know when they get off. We have never looked at that, and no bus company, as far as I know, ever looks at passenger miles.

We had passenger miles for the railways because the journeys are from point to point and the number of miles is clearer. If they are not published, they are certainly available. The format of the report changed this year, and we took the opportunity to include other figures and exclude some that we did not think were that valuable. The figure for the railways is available.

**Mr Rogan:** Also available is the number of operated bus miles, which we measure. As Stephen said, we do not ask people to record when they stop a journey or get off a bus, so accurately recording passenger miles is not possible.

**The Chairperson:** Will the new integrated ticket system be helpful for that?

**Mr Rogan:** Yes, it could be helpful. We are debating whether to make it a requirement of the system that people tag off when getting off a bus, which would give us much greater information. However, from a customer point of view, as you can imagine, it would be one more thing that they have to do. We have to balance whether the usefulness to us of the information merits the potential disbenefit to passengers.

**The Chairperson:** It seemed to work very well on the rapid transit system in Arnhem when we were there.

**Mr Rogan:** It works well on systems with no interaction with the driver, such as railways, rapid transit and trams. The practical difficulty on buses is that a bus has only one door at the front, so, if people were to tag off, it could cause delays.

**The Chairperson:** What strategies do you have in place for adapting to the ongoing capital expenditure pressures?

**Mr Milligan:** As you can see in the report, we identified approximately £50 million in spend for this year, and the various projects are listed. There is significant pressure on funding. We are hopeful of in-year bidding to help to support some of the capital projects. We also have some cash of our own, and we have to start to utilise that now in some of the activity around the Belfast hub. There is no doubt that funding is an issue in the delivery of some of the capital projects.

**The Chairperson:** It was an issue last year when Translink spoke to the Committee, and it transpired that you got as much from the Department as in previous years.

**Mr Armstrong:** The corporate plan included a certain amount of indicative capital funding, which was short of our requirements. For the bus companies, we included considerable self-funded capital investment but had to balance that out with our cash position so that, at the end of the three years, we were still in the position of being a going concern. Buses were replaced in years 1 and 2, but, in year 3, bus replacement had to be deferred because our cash position could not afford to invest in further self-funding.

For the railways, £23 million is the indicative funding each year. To stay still, the railways require average investment of between £30 million and £40 million every year. Therefore, the £23 million provided in each of the three years of the plan meant that quite a number of projects were deferred. For year 4, which is outside the plan, I am looking at a total for the railways of £90 million. Clearly, we will not be able to do that, but it shows the tidal wave of investment in the railways that is being pushed out.

For the bus companies, we invested a lot over recent years in stations and so on. The investment is all about buses. Against the target of eight years, our fleet age is reasonably good: we are running below that. So, even with deferring bus replacement in year 3, we can stay within the departmental target for the average bus age. Of course, beyond that, we still need to replace — how many is it per year?

**Mr Milligan:** About 90 buses a year.

**Mr Armstrong:** We will run into a problem, but, for the next two years, we can fund the buses required from our resources.

**The Chairperson:** There is a Programme for Government (PFG) requirement for all Departments to manage surplus assets: each Department has to reach a certain target. It is, I think, fair to say that a number of Translink facilities are now surplus to requirements. What strategy or management plan do you have for that?

**Mr Armstrong:** We have an asset management strategy, in which there is a list of surplus properties. That is certainly the case for us, as I am sure that it is for other Departments. Part of the strategy is to dispose of surplus properties. The updated plan is about to go to the Department, and the previous plan certainly had a list of surplus properties.

**The Chairperson:** The sales market was very bad but now appears to be picking up in some areas. Are you hopeful of disposing of some surplus assets, given that, otherwise, you would always be bothered with ongoing maintenance costs and so on, which is pouring money down a black hole?

**Mr Armstrong:** We sold some properties during the year, but you are right in saying that the market was probably not right for disposing of everything on the list. I am not close enough to this to say whether we are hopeful of disposing of the surplus properties on the current list. As you say, if the market picks up, the opportunities for that will be better.

**Mr Milligan:** We have a register, and we push those assets through into the sponsoring Department. That forms part of a wider process. We declare what we believe we could dispose of and that goes into the process. That is done through the sponsoring Department

**The Chairperson:** Talk me through the process and how they are put on the market and whether that involves an estate agent. First, do you see whether any other public bodies express an interest? Then, do you ask for general expressions of interest, which might be from somebody who does not really have the money to buy the asset? Finally, do you move to a highest-offer closed bid to get the best value for the public purse?

**Mr Milligan:** I do not have the detail with me, but what you describe is the process that we follow. We see whether other public bodies need access to properties that we are willing to dispose of. Failing that, we move to looking to sell and offload. Our asset management strategy document shows a list of properties that we could dispose of, but they are disposed of through different mechanisms, as you described.

**Mr Ó hOisín:** The estate management document was identified in the financial statements as having some policy and procedural weaknesses. You were to bring in outside assistance to address that. What specifically were those weaknesses, and have they been addressed?

**Mr Milligan:** Sorry, I am not clear on —

**The Chairperson:** Sorry, we have a lot of background noise. I am sure that it is very difficult for those sitting in the Public Gallery. The wine is in now, so it tends to get noisier at this point, but, hopefully, it will die down a bit in the not-too-distant future. If you could keep speaking up, that would be helpful.

**Mr Ó hOisín:** I am just too quietly spoken, Chair, that is my problem.

**The Chairperson:** I know that.

**Mr Ó hOisín:** It is about the estate management document that has been identified in the financial section of the report as having weaknesses in policy and procedures. How have you addressed that? Has that been addressed? What are those weaknesses?

**Mr Milligan:** Sorry, are you referring to the document that you received?

**Mr Ó hOisín:** Yes.

**Mr Milligan:** We completed an internal and external audit of our ability to manage contracts. We did that of our own volition across all of the divisions in Translink to review how we manage contracts and property. It identified some smaller issues with liaising and dealing with suppliers. It was more process issues that required improvement. So we asked for the audit to be done, and it helped us to identify areas that needed to be improved on: documentation, meeting suppliers and documenting those meetings and detailed discussions. That has been rectified. We have since been audited again and given a satisfactory rating by our internal and external audit.

**Mr Ó hOisín:** On the deferral of some of the rail projects. given the difficulties in procurement, particularly on the Coleraine-Derry section, do you envisage any further delays to that or are we still looking at —

**Mr Milligan:** We are still on plan, which is to implement phase 2 by the end of 2016. We are well advanced on the detailed project scoping of that work.

**Mrs Hale:** I believe that there was an internal audit of the investigation of the Knockmore rail incident in June 2012. Despite the fact that Knockmore was highlighted as a weakness in the 2013 financial statements, no details were provided of how or if any actions were taken. Will you inform the Committee what has been done?

**Mr Milligan:** I do not have the details of that report with me. I prepared for a review of the annual accounts and the corporate plan. I am happy to come back or to provide any information that is

required. Detailed internal and external investigations took place and reports were published. They are in the public domain, so I am happy to provide any information —

**Mr Rogan:** The chief recommendations arising specifically from Knockmore related to the categorisation and notification of incidents to the Rail Accident Investigation Branch in GB. It gave us a series of recommendations on how we could specify and categorise incidents that apply not just to us but to the rail industry in GB generally. Those have been taken on board and implemented.

**Mrs Hale:** Thank you.

**Mr Milligan:** If the member requires any further information, we are happy to provide it.

**Mrs Hale:** That would be much appreciated, thank you.

**Mr McCarthy:** My question is about the level of government support. In previous years, the director's report included a breakdown of government support. Why is that not the case in the 2013-14 financial year? The majority of the data has to be deduced via note 25 in the accounts. Explain in detail how the overall increase in revenue is achieved.

Finally, you state:

*"Rail has a shortfall in 2014-15 which can be covered by the Group's cash resources if necessary."*

How significant is the shortfall?

**Mr Armstrong:** The amount of government funding used to be shown in the director's report. We now have a strategic report, which is formatted slightly differently. We are following a format set out in companies' legislation. I thought that the level of government funding was included in the notes on the accounts. I will have a look at that.

Sorry, what was your second question?

**Mr McCarthy:** The majority of the data has to be deduced via note 25 in the accounts. Explain in detail how the overall increase in revenue is achieved.

**Mr Armstrong:** Note 25?

**Mr McCarthy:** Yes, in the accounts. How is the overall increase in revenue achieved? My final question was how significant was the:

*"shortfall in 2014-15, which can be covered by the group's cash resources, if necessary".*

**Mr Armstrong:** I will answer that question first, because note 25 is to do with financial commitments. On your third question, the losses that we project for 2014-15 in the corporate plan are of the order of £9 million. We can cope with that. Although that is £9 million of a loss, it is not £9 million of a cash loss, because there are depreciation charges within that. It probably equates to about £6 million of a cash loss, and we can accommodate that within our cash balances. It can be picked up comfortably through our cash balances. Note 25 to the accounts is titled, "Financial Commitments". Is that what you are referring to?

**Mr McCarthy:** Explain in detail how the overall increase in revenue is achieved. It is in note 25 in the accounts.

**Mr Armstrong:** Note 25 in the accounts is "Financial Commitments", but are you are talking about revenue from one year to another?

**Mr McCarthy:** Yes. How can the overall increase be achieved?

**Mr Armstrong:** The increase in the number of fare-paying passengers, and an increase in passenger journeys generally, have led to the increase in revenue.

**The Chairperson:** I think that Kieran is asking how you increased revenue in this period.

**Mr Armstrong:** By putting on more passengers, generally, and those are fare-paying passengers as well.

**Mr Milligan:** There is an increase in the number of passenger journeys. At the beginning of the session, we talked about an additional one million fare-paying passengers this year, plus an increase generally in passenger numbers. So it is achieved through that revenue opportunity.

**Mr McCarthy:** I apologise for missing the start of your presentation, but I caught that, on two or three occasions, you mentioned concessionary fares. As one with an interest in such fares, I want to make sure that, for as far into the future as you can see, there is no threat to their continuation.

**Mr Armstrong:** The problem is that our concession fare requirement next year is severely underfunded. That is a problem that the Department has to grapple with. As you may know, we get only a percentage of the full adult fare, which means that we need £28 million next year, but the funding is just over £20 million. So there is a considerable shortfall in concession funding in 2014-15, and that, largely, is what led to the loss that you see in the accounts. I cannot answer your question on whether there is a threat to the scheme.

**Mr McCarthy:** Not that long ago, we had a commitment from the Minister that, while he is Minister, concessionary fares will continue. I hope that that will be the case, not only under this Minister but under the next and subsequent Ministers.

**Mr Milligan:** That is not a matter for Translink; it is one for departmental officials and the Minister of the moment.

**Mr McCarthy:** We will watch that with interest.

**The Chairperson:** I assume that you declared an interest earlier?

**Mr McCarthy:** I did indeed.

**Mr Byrne:** The group is made up of seven subsidiary companies: is that right?

**Mr Milligan:** Yes.

**Mr Byrne:** Is the shareholding all in the public sector or is there some private shareholding in the limited companies?

**Mr Armstrong:** It is completely in the public sector.

**Mr Byrne:** In last year's accounts, you earned £1.5 million from the Olympics and £4.2 million from the sale of some Belfast property, which took you to £5.7 million. In the meantime, you posted a total profit of £9 million. So you went from £9 million profit last year to £0.4 million this year and a projected loss next year of £9 million. Given that you enjoy such a large public subsidy, is the company well managed?

**Mr Milligan:** I believe that it is, and you would expect me to say that. There are reasons, which I have tried to articulate, why profit went from £9 million to approximately £400,000. First, we had the two one-off opportunities that you described. Secondly, there has been some funding reduction, which is linked to other issues such as pensions and so on.

**Mr Byrne:** What about the reduced capital asset sales?

**Mr Milligan:** That is part of it. Some of our gains in 2012-13 were achieved through the Olympics and through, as you say, the property disposals. The reductions in funding and capital asset sales take us from £9 million down to £400,000. Going forward, our concern is linked to the concessionary fares and the reduction in funding going into 2015-16, the final year of the three-year period.



**Mr Byrne:** Am I right in saying that you earn £22.5 million from school transport?

**Mr Armstrong:** We receive over £30 million. I think that you were looking at journeys.

**Mr Byrne:** Yes.

**Mr Armstrong:** The school transport revenue is about £35 million, but that is revenue from what we provide.

**Mr Byrne:** Would a radical change in the funding of school transport have an adverse effect on the company?

**Mr Armstrong:** It could have an adverse effect; it could have a benefit. That would depend on what the change in policy was. Certainly, school transport is a very significant feature in Ulsterbus.

**Mr Milligan:** There has been an increase in the number of people using public transport, and we are very grateful for the investment that comes from central government, the Minister and his officials, because we want to provide quality services to people, and we want them to enjoy their journeys on trains and buses. Over the summer, we are taking delivery of 42 new double-decker buses from Wrightbus in Ballymena at a cost of £9 million, and we are grateful to be able to purchase those buses. That is good, in this case, for the travelling public in Belfast, because they get to experience new buses. They are a ton light compared with the buses that we have at the moment, and they are cheaper to run because they are fuel-efficient. That is also good for jobs and the economy of Northern Ireland, as it creates and sustains employment and it puts the investment of Wrightbus back into the economy. We want to have your support for continued investment, because that is what the public seem to enjoy. We are operators, and we want to provide a good service through the support that we get from central government and the Department.

**Mr Rogan:** Clearly, we have to assure you that the company is well managed and well run, and we do that in a number of ways. We do our own comparisons with, for example, operators in GB and the Republic of Ireland on the efficiency of our operation, the level of our fares and our operational performance in terms of vehicles or journeys arriving on time, and we compare exceptionally well against any comparators. However, separate from that and as part of the public service contract that is being finalised between us and the Department, the Department has to be assured through an independent efficiency benchmarking review that the organisation or the business is run efficiently, and that is a key part of the contract being awarded.

**Mr Byrne:** Hypothetically, if the Department said that it wanted a 10% efficiency cost cut, could you live with that?

**Mr Rogan:** We have delivered fairly significant cost reductions over the past number of years, and we have produced the evidence to this Committee and previous Committees.

**The Chairperson:** Gordon, you mentioned the benefits to the Northern Ireland economy of the buses being provided: fuel efficiency and the fact that they were built at Wrightbus in Ballymena. Given that you are one of the major employers in Northern Ireland, have you any ballpark figure for what Translink puts back into the economy of Northern Ireland? During our cycling inquiry, we had an interesting visit to Chain Reaction Cycles, which is a firm that started off with two people and last year had a turnover of £154 million. It was able to tell us that between £40 million and £50 million came back into the Northern Ireland economy. Do you have any comparable figures?

**Mr Milligan:** Chairman, I am happy to get —

**The Chairperson:** It might be an exercise worth doing. Sometimes, we might criticise and ask about the amount of money from the public purse that goes into Translink, which is really a commercial company, but it might be interesting to know what is put back into the Northern Ireland economy.

**Mr Milligan:** That is a very good point, Chair. We will certainly get that information, because it is important to know what Translink adds to the economy. Translink's annual pay bill is £132 million, which is £132 million going into homes, shops and business across Northern Ireland. In addition, we reckon that we support at least another 1,000 jobs in Northern Ireland, based on suppliers and so on.

We will do an exercise and roll some of those figures together to get an overall picture of our impact on the Northern Ireland economy.

**The Chairperson:** I think that it would be a very interesting and worthwhile exercise.

**Mr Rogan:** It is also worth recognising that Translink is one of the few businesses with a geographical spread across Northern Ireland. We are not concentrated in any one area; we have people employed in every town and city in Northern Ireland.

**Mr Milligan:** We cannot ignore the fact that some of our success is due to good front line support staff. Our people work 364 days a year in all sorts of difficult environments right across the Province. They are a huge part of our success in delivering a better transport system for Northern Ireland.

**Mr McAleer:** I note from the report that the punctuality figures for buses in 2013 was 98% and that that decreased by 4% the following year. What is the main reason for that?

**Mr Rogan:** The main issue we faced was in the second half of 2013 in the run-up to Christmas: November and the first week of December. We get these figures by going out and doing mystery shopper research, where 2,500 samples are taken of our buses and trains on whether they are running on time. We discovered that it was specific to Belfast. While there has been a lot of investment in bus lanes and bus priority in the centre of Belfast, which has worked exceptionally well for us, we found that there was increasing congestion on a lot of the arterial roads into Belfast, for example, services coming off the motorways and services slightly outside the city centre. We have identified these pinch points, as we call them, with our colleagues in Transport NI, and we are gradually going through a programme of trying to address those. That said, one of the things that we did do quite quickly was put additional numbers of buses into our bus timetables so that we could guarantee that things were running on time. Entirely anecdotally, as I know from getting the bus every day, my bus is a lot more punctual now than it was before Christmas.

**Mr McAleer:** Are those the main measures that you are taking to try to deal with that decrease or to try to increase that figure?

**Mr Rogan:** It would be tackled in a couple of ways. It would be tackled partially through us putting additional resource in, because traffic speeds in general in Belfast have been improving. Anybody who travels through Belfast or any urban area will see that.

We also work with Transport NI and Roads Service to put in place things like, not necessarily bus lanes, but giving buses priority at traffic signals, for example. Those can be very effective in improving our punctuality and journey times without necessarily slowing down the rest of the traffic. A great example would be the run that we have in from the Cairnshill park-and-ride facility down the Saintfield Road and the Ormeau Road into Belfast. We see some exceptionally fast journey times there. It is a case of doing those practically on a case-by-case basis for every main road into Belfast.

**The Chairperson:** You mentioned the park-and-ride schemes. Has there been further uptake, for instance, of the Cairnshill one? I know that there had been substantial further uptake, and I wonder whether you have any sort of projections in relation to the new one that is going in at Dundonald, obviously as a forerunner to the rapid transit system?

**Mr Rogan:** Yes, as Gordon said, park and ride has been one part of the business that has seen exceptional growth. Where we put a park-and-ride facility in place, if it is at a railway station, it gets filled within a matter of weeks. If it is on a bus route, it takes slightly longer, but it does get filled. Cairnshill, for example, has 720 car park spaces altogether, and we are consistently getting between 550 and 600 cars parked every morning. There are 500-odd spaces going into Dundonald at Dunlady Road. We will start services there in December in time for the Christmas period. We are moving to a new site in Sprucefield, which will be an extended park-and-ride facility that is significantly larger than the one that we have at the moment, and we have just got approval to build one at Ballymartin on the M2. Across the piece, park and ride is a big success story and one that we want to invest in. I have to say that it is done in partnership with the Department and Transport NI. It provides a lot of the resource.

**Mr Armstrong:** You asked about Cairnshill. In 2013-14, there was a 28% increase in uptake over 2012-13. There were 198,000 journeys out of that against 154,000.

**The Chairperson:** I am moving slightly away from what we are here to discuss today, but I think that, given the serious parking problems associated with the Ulster Hospital and the trust there and the fact that the Department has had to put double yellow lines around a number of roads close by because of the fact that, from early morning, people park to use the hospital etc, there are real dangers in the site at Dundonald becoming an additional parking site for the Ulster Hospital. We need to ensure that it is for the travelling public as opposed to becoming just an extra car park for the hospital. You may want to have a chat with the Department about how that might best be managed.

**Mr Rogan:** I suppose that we also need to make sure that passengers coming in the other direction start to use rapid transit to access the hospital as opposed to feeling the need to take their car.

**The Chairperson:** Yes.

I have a couple of final points, and there may be some points that we want to raise with you by letter because of time limits today. Can you detail the breakdown of the fee levels between audit and non-audit work provided by the external auditor?

**Mr Armstrong:** Yes. Have you the page number in the accounts handy?

**The Chairperson:** I do not have the page number. I am relying on a brief that does not have the page number.

**Mr Armstrong:** I have got it now. It is page 99 of the statutory accounts. The audit fees — £52,000 — have not changed year on year. The tax compliance, which is the tax computations for all the companies, is virtually the same as the previous year. The big figure is the grant work. The £94,000 and £99,000 are fees for the audit of all the capital grant claims that we submit to the Department. We have probably 300 or 400 capital projects running at any one time. They are not all 100% funded, but they can be partially funded and we submit grant claims very regularly so that our cash flow is up to the mark.

The audit that is required by the Department entails quite a bit of work by Deloitte, to the tune of just under £100,000 a year. We have suggested to the Department that it could take a lighter touch on the audit of these grant claims, such that we could reduce the fees considerably, but DFP balked at that suggestion, so we continue with that amount of fees. It is a lucrative arrangement for Deloitte but something that the Department and DFP require us to do.

**The Chairperson:** Given that you have financial responsibility for Translink, how can you assure the Committee that the external auditor's independence is not compromised by the level of non-audit work that it undertakes?

**Mr Armstrong:** That is a question for Deloitte as much as for us.

**The Chairperson:** It is not a question for Deloitte; I am asking you. You are paying the bill.

**Mr Armstrong:** Its audit of the grants does not require an opinion, therefore, there is no opinion to be influenced. Deloitte simply checks that the invoices are valid, relate to that capital project and have been paid. It is very much a tick-box exercise that does not require an opinion or decision. No matter what the fees were, it is something that could not be influenced. It is simply checking our submission to the Department and ticking the boxes. The auditor is checking the invoices and payments, and that is all. It is not expressing an opinion.

**The Chairperson:** My point is that I suggest that if an accounts issue were to arise — I am not suggesting that this is happening — the amount of fees paid for the non-audit work could influence somebody who is getting that work. Why should it not be done by two separate organisations, each dealing with one part of the work? That would totally assure the Department, DFP and you that the process was independent and transparent.

**Mr Armstrong:** For a company the size of Deloitte, a worldwide company, these fees are very small beer.

**The Chairperson:** I am not asking you to make an advertisement for Deloitte —

**Mr Armstrong:** They are very small beer, so —

**The Chairperson:** I am not saying —

**Mr Armstrong:** I am saying that it is not going to be influenced by the level of —

**The Chairperson:** No, but how do you know that?

**Mr Armstrong:** — grant work.

**The Chairperson:** How do you know, Stephen, that it will not be influenced?

**Mr Armstrong:** Deloitte's own controls are such that, once done, the audit has to be completely signed off by an external partner outside Northern Ireland. That partner is not going to be influenced by £90,000-worth of grant work. He is looking at the audit.

**The Chairperson:** You are assured that that is actually happening. You have proof that that is happening.

**Mr Armstrong:** I know that it is happening, because we have delays at year-end while it happens. Sometimes, this second partner comes back with queries that had not been raised by the local partner. It happened this year when there was a slight delay at the end while he queried certain things. The additional approval process by Deloitte is its assurance that it is not influenced by the level of grant income.

**The Chairperson:** OK. As I said, there are probably some other questions that we need answers to. However, I do not have the luxury of time to allow us to continue with those questions today. We will write to you in relation to those in due course. I thank all three of you for your presentation, and I am sure that we will see you in the not-too-distant future.

**Mr Armstrong:** Thank you.