

From: [REDACTED]
To: [Luton Airport](#)
Subject: Final comment on representations received in response to consultation letter 27 September
Date: 22 November 2024 23:33:48

Hello

Interested Party Reference Number 20039826

I am writing in response to the Applicant's letter dated 1st November 2024, reference TR020001-003655-London Luton Airport Expansion, and in particular to paragraph 1.10.1, which states that "The Applicant's Community First commitment [REP11-025], secured by section 106 dated 9 February 2024 [REP11-108] provides a significant financial contribution to local communities affected by airport expansion, up to £13 million each year at a throughput of 32 mppa. "

Like so many other commitments made by this Applicant, whether regarding noise, or the pace of increases in passenger numbers, or as above its financial commitment to local communities, this is a commitment lightly entered into, and both the track record and the financial situation of the Applicant indicate that the prospects for delivery are questionable.

LADACAN and other local organisations have previously drawn the Inspectors' attention to the repeated breaches of previous planning commitments, supported and incentivised by the Applicant's 100% shareholder and operational controller, Luton Borough Council.

Now the Council, which provides all management and financial services to the Applicant, is in dispute with EY, its auditors over shortcomings identified by EY in its audit work for the 2018-19 financial year. The auditors have taken the relatively unusual step of issuing a Report In the Public Interest and have abandoned their 5 year long effort to agree the Council's financial statements for that year and it appears for all subsequent years.

A commercial business which was unable to satisfy its auditors after such a long period that it had appropriate financial controls in place and that its statements were an accurate representation of its financial position would not be permitted to continue trading, and its directors would probably face disqualification. This DCO application is, after all, a commercial venture and I see no reason why its proposers and their parent entity should be held to lower standards, particularly when so much public money is involved.

The whole of this Report, issued by Ms Janet Dawson, the head of EY's government and public sector practice, should be taken into consideration by the Secretary of State as evidence that the Applicant and its parent entity are unworthy of the trust implied in the granting of planning permission for a project on this very large scale, and that there is a very real prospect of further mismanagement undermining assurances given during the DCO process.

Although the whole of the Report is carefully drafted and factual and reflects extremely badly on the culture, processes and capabilities of the Council (and, I would argue by extension, of the Applicant whose staff are supplied and led by the Council and its members and officers) there are two paragraphs that have particular bearing on this decision. I therefore quote them in their entirety. In the first case, it should be borne in mind that the remarks relate to the 2018/19 financial year and that at least another £50 million has been spent on the DCO since then, which if treated as EY consider appropriate would reflect a further impairment of that amount.

Airport expansion schemes and Development Consent Order costs

The work of the Authority's advisors to support the Airport stabilisation plan, and then the work of our own strategy and transactions specialists, concluded the proposed expansion of the Airport under a Development Consent Order (DCO) beyond phase one of a planned two-phase approach was unlikely to be value accretive and therefore highly speculative. As a result, we concluded that capitalised costs of £20.3 million at the balance sheet date that could not be directly attributed to phase one of the development should be impaired. The Authority continues to disagree with this judgement and has disclosed the basis for this disagreement in the latest iteration of its 2018/19 financial statements which remain unpublished. Management believes that expansion of the Airport beyond phase one is likely and therefore that it remains appropriate for the Authority to capitalise all costs incurred on the DCO at the balance sheet date.

To a lay observer this shows contempt for the DCO process. They are treating the DCO as a "done deal" by capitalising the expenditure in their accounts, and have for four years fought their auditors who (in my view rightly) will not accept such a presumption. While I am not a qualified accountant, I have many years' experience on the audit committees of very substantial financial entities and I am astonished by such treatment of legal and consulting costs in what by its nature is an uncertain process.

LLAL balances in the group financial statements

Early in the audit we assessed that we were unable to place reliance on the work of the auditors of LLAL to support our opinion on the group accounts. This was because we determined them not to be independent of the Authority in relation to non-audit fees, when assessed in accordance with the NAO Code of Audit Practice Auditors Guidance Note 1 as opposed to FRC Ethical Standards. This risk was reported as a significant risk in our Audit Planning Report. As a result of this, we attempted to directly undertake the audit work on certain balances in the group accounts. Management has not provided us with sufficient appropriate evidence to support some of these balances, and the scope of our audit has been limited as a consequence.

This is an extraordinary criticism of another audit practice, no doubt not made lightly, and one that challenges the integrity of the Applicant's management. If its parent company was unable to satisfy its auditors that the Applicant's financial reporting was sound, then any statement made by the Applicant must be treated with caution.

This has particular relevance to S106 undertakings which in my view and that of many other interested parties cannot be relied upon from this Applicant.

Regards

David Shipley

