Luton Rising

Our airport.
Our community.
Our planet.

Financial Regulations

1. Purpose

1.1 Financial Regulations provide the governance framework for managing the company's financial affairs. They apply to every Director and officer of the company (whether on a permanent or temporary contract) and anyone acting on its behalf.

1.2 All Board Directors, officers and those acting for the company have a general responsibility for taking reasonable action to provide for the security of the assets and resources under their control, and for ensuring that the use of these resources is legal, is properly authorised, and achieves value for money. In doing so, proper consideration must be given at all times to matters of probity and propriety in managing the assets, income and expenditure of the company.

1.3 The Regulations identify specific financial responsibilities of the Board Directors, the Chief Executive Officer, Executive Director, Governance and Chief Finance Officer. Those specifically identified should maintain a written record where decision-making has been delegated to others.

1.4 The Chief Finance Officer is responsible for maintaining a continuous review of the Financial Regulations and submitting any additions or changes necessary to the Board of Directors for approval. The Chief Finance Officer is also responsible for reporting, where appropriate, breaches of the Financial Regulations to the Board of Directors and/or to the Executive Director, Governance.

1.5 The Chief Executive Officer, the Executive Director, Governance and the Chief Finance Officer (collectively in these regulations known as the 'company office holders') are responsible for ensuring that all those engaged by or on behalf of London Rising (a trading name of London Luton Airport Limited (LLAL)) are aware of the existence and content of the company's Financial Regulations and other internal regulatory documents and that they comply with them.

2. Financial Management

Introduction

2.1 Financial management covers all financial accountabilities in relation to the running of the company, including the budget. All Board Directors, company office holders and those acting on behalf of the company have a common duty to abide by the highest standards of integrity and propriety when making decisions relating to the use of the company's funds.

The Board of Directors

2.2 The LLAL Board is responsible for approving the business plans and budget (Revenue and Capital including Treasury management) which are managed on its behalf by the company office holders. It is also responsible for approving and monitoring compliance with the company's overall framework of accountability and control, approval of the annual report and accounts, dividend policy and declaration of dividends.

Chief Executive Officer

2.3 The Chief Executive Officer is responsible for the overall management of the company's affairs, including finance, and the execution of Board policy, including the delivery of Business Plan objectives within the approved budget, the achievement of profit targets and the payment of planned dividends.

Executive Director, Governance

2.4 The Executive Director, Governance is responsible for:

- deputising for the Chief Executive Officer in the overall management of the company's affairs;
- maintaining the company's policy framework;
- acting as the Company Secretary;
- supporting the Board and officers in striving for the highest standards of business conduct; and
- oversight of the company's Business Plan.

Chief Finance Officer

2.5 The Chief Finance Officer is responsible for:

- the proper administration of the company's financial affairs;
- setting and monitoring compliance with financial management standards;
- advising on the company's financial position and on the key financial controls necessary to secure sound financial management;
- providing accurate and timely financial information for all those with financial responsibilities, including the provision of any information required to enable the release of debenture loan payments, and the provision of any information required by Luton Borough Council (the Council) in relation the preparation and audit of its Group Accounts;
- preparing the profit and loss account, capital programme, balance sheet, company cash flow and the medium and long-term financial plans and strategies, and reporting on the company's financial position to the Board of Directors;
- commissioning an adequate and effective internal audit function from the Council's Audit Manager or other provider(s) and ensuring the company has an effective anti-fraud, bribery and corruption strategy that is implemented in practice;
- advising on the systems of internal control necessary for sound financial management, to ensure that the Shareholder's funds and interests are properly safeguarded, and that the officers and Board are aware of the company's financial position on an ongoing basis;
- reviewing on at least an annual basis the effectiveness of financial management and monitoring in the previous year, in order to determine and communicate the key lessons that need to be learnt in order to ensure continuous improvement;
- determining the accounting standards, policies, procedures and records for the

company and ensuring that they are applied consistently;
- preparing the company's annual accounts in accordance with all applicable accounting standards and codes of practice so that the accounts receive an unqualified audit report; and
- preparing the company's risk management policy and strategy and advising on the management of strategic, financial and operational risks.

Company Office Holders

2.6 The company office holders are collectively responsible for ensuring that all reports made to the Board of Directors include fully considered financial and risk implications for any proposal, and that the Chief Finance Officer has been given sufficient opportunity and resource to ensure the proper appraisal of those implications and risks.

Responsibilities of all those engaged by or on behalf of Luton Rising

2.7 In addition to specific responsibilities set out above, the company expects and requires all those engaged to work on its behalf to:

- abide by the highest standards of probity and exercise due care in relation to all resources, assets, income and expenditure within their care or control;
- ensure that proper records and documentation are maintained of the company's assets and financial transactions for which individuals have or share responsibility;
- comply with these regulations and any additional guidance issued to ensure the effective control of the company's resources;
- co-operate in any audits of the company's systems; and
- report any suspected financial irregularities for investigation.

Responsibilities of Heads of Programmes

2.8 Heads of Programme are required to manage and monitor the capital investment projects for which they are responsible, in order to ensure that they deliver the quality outcomes required on time and within the budget totals allocated. They are also required to ensure that Gateway Reviews are carried out effectively when the project requires them. Budgets should be profiled and monitored monthly and by each discrete project stage. Any potential overspends should be identified early, and all options considered for enabling effective project delivery to specification, on time, and within the approved budget.

2.9 Monthly monitoring shall include a review of actual project spend against budgets, including checking that expenditure is correctly coded to the project, and the Head of Programme shall make an outturn prediction for the year's expenditure and for the overall project expenditure, together with any predictions required that relate to specific project milestones. This information shall be provided to the Chief Financial Officer in a timely fashion, for inclusion in financial reports to the Executive Team, Board, and the Shareholder, as appropriate.

2.10 If a Programme Director is unable to find a viable way of managing the project effectively within the overall budget, he/she must report the reasons, the options considered, and a recommended way forward to the Chief Executive Officer and Chief Finance Officer without delay.

Responsibilities of the manager responsible for Airport Concession Income

2.11 The individual responsible for Airport Concession Income is required to check and verify the calculations of the amounts due that are provided by the Airport Operator, to ensure that audit tests of the source data are carried out at least annually, and to check the concession income recorded in the company's accounts against the amounts calculated as due, reporting any discrepancies to the Chief Executive Officer (and to the Chief Finance Officer if this responsibility is carried out by a person other than the Chief Finance Officer).

Responsibilities of Revenue Budget Managers

2.12 Those responsible for managing revenue budgets shall:

- review the income and/or expenditure transactions posted to their budget heads, to ensure that they are appropriate;
- review income and/or expenditure against budget on a monthly basis, and
- use this information to make outturn predictions for the financial year, which shall be returned to the Chief Finance Officer in a timely fashion, for inclusion in reports to the Executive Team, the Board of Directors, and the Shareholder representatives, as appropriate.

2.13 Potential over or underspends, and income shortfalls or surpluses, should be identified early. With regard to potential overspends and income shortfalls, the Revenue Budget Manager must consider all reasonable management options available to avoid them. If an overspend/income shortfall is considered unavoidable, a report on this, the actions and options considered, and the learning points for the future should be made as soon as possible to the Chief Finance Officer and Chief Executive Officer.

3. FINANCIAL PLANNING

Purpose

3.1 The purpose of the company's financial planning is to set out and communicate the company's financial aims and objectives and resource allocations, as a key part of the company's Business Plan, to provide an approved and agreed basis for subsequent management control, accountability and reporting.

3.2 Budgets are needed so that the company can plan, authorise, monitor and control the way money is allocated and spent.

Investment/Capital Programme

3.3 The Capital Investment Programme sets out the resource allocations proposed to be made to schemes that are included in the programme. It should be noted that inclusion in the programme does not automatically give approval to spend, and the procedures set out in these regulations need to be followed to ensure that expenditure on major schemes is only incurred once an individual major scheme has been rigorously assessed and approved, in order to ensure that finance is used appropriately to maximise profitability and shareholder value. Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the company, such as land, buildings, and major items of equipment, plant or vehicles. For a capital scheme to be approved, specific Board approval is required, and shall be subject to rigorous appraisal of a business case that must demonstrate the additional value it will provide in commercial, financial, strategic, economic, and managerial terms, as well as the practicality of delivery.

3.4 Capital Investment Programme Monitoring reports shall highlight variations in projected spend from the original budget approved by the Board of Directors, and from the latest approved budget. Board approval shall be required for all increases in overall project costs. In addition, the shareholder/funder may require further information or actions in the case of projected increases in project costs. Programme Managers must work proactively with the company office holders to respond to such requests.

Reports to the Board of Directors

3.5 To enable the Board of Directors to make informed decisions, all Board reports must incorporate a section on 'Financial Implications' and 'Shareholder Implications' (covering operational, financial and governance issues), which shall be prepared by the report author, and sent to the Chief Finance Officer for review and approval. Reports must robustly and realistically demonstrate the profitability (or otherwise) of proposals, allowing for optimism bias, showing how the figures have been stress-tested, demonstrating the provision for the proposal in the approved budget or the agreed future business plan, clarifying any potential future commitments, and clearly pointing out, quantifying and objectively assessing the probability of any potential financial risks, tax implications and any other financial consequences which may arise from the options and recommendations.

The Budget and Medium-Term Financial Planning

3.6 The Chief Finance Officer shall be responsible for the co-ordination and management of the Budget process, in order to report to the Board of Directors a proposed budget, capital investment programme, 5 year plan and medium-term financial plan and strategy, together with budget risk identification and quantification, and a budget risk management strategy.

3.7 The Board-approved budget for any financial year shall be the basis for budget monitoring for that year, and any potential variations from that budget shall be highlighted and explained to the Board of Directors in regular monitoring reports. Board approval shall be required for all increases in total budgeted expenditure. Any variations within the overall budget that do not impact on the business plan shall be approved by the Chief Finance Officer

3.8 The Chief Finance Officer shall be responsible for advising the Board of Directors on appropriate levels of usable reserves, and options for dividend strategies, with the consequential risks and risk management options. The Chief Finance Officer may, if required, be supported by officers from LBC provided there is no conflict of interest.

4. RISK MANAGEMENT AND CONTROL OF RESOURCES

Purpose

4.1 Sound systems of internal control and risk management are essential for ensuring economic, efficient and effective use of resources, the achievement of objectives, and the safeguarding of company funds.

4.2 Risk management is an essential part of all effective management and planning. The identification of potential risks, and the mitigation and management of those risks, is vital if objectives are to be achieved. This requires the proactive participation of all those associated with planning and delivering services.

4.3 There is a basic expectation that all officers, Directors and anyone undertaking work on behalf of the company will act with integrity and due regard to matters of probity and propriety, and comply with all relevant rules, regulations, procedures and codes of conduct, including those in relation to receipt of gifts and hospitality and declarations of conflicts of interest.

4.4 The company will not tolerate fraud or corruption in the administration of its responsibilities, whether perpetrated by Directors, officers, customers of its services, third party organisations contracting with it, or other agencies or individuals with which it has any business dealings.

Risk Management

4.5 The Board of Directors is responsible for approving the company's Risk Management Policy Statement and strategy and the Corporate Risk Register; for reviewing the effectiveness of risk management; and for determining those risks that can and should be insured against, together with the levels of insurance.

4.6 The Chief Finance Officer is responsible for:

- preparing the company's Risk Management Policy Statement and strategy;
- preparing, reviewing and updating the Corporate Risk Register;
- promoting risk management, and advising on the principles of the management of risk;
- advising the Board of Directors on proper insurance cover where appropriate, including where self-insurance can be considered; and
- determining appropriate levels of insurance reserve and provision where self-insurance is maintained.

4.7 Heads of Programme are responsible for preparing, reviewing and ensuring effective risk management of a Programme Risk Register for each capital investment project.

4.8 The company office holders are responsible for:

- ensuring that the company's risk management strategy is fully implemented throughout the company;
- an ongoing review of the internal controls operating within the company, in light of new initiatives, projects, and other developments, in order to provide assurance regarding the continuing effective working of those controls, identify any new risks arising, and assess how such risks should be managed;
- allocating an individual to manage and monitor all risks identified, in accordance with instructions issued by the Chief Finance Officer; and
- ensuring that all risks identified, whether ongoing or project specific, are proactively and effectively managed, in order to ensure that the objectives of the company are achieved in the most effective, efficient and economic ways possible.

Internal Control

4.9 Internal control refers to the systems of control devised by management to help ensure the company's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the company's assets and interests are safeguarded.

4.10 The company office holders are responsible for:

- ensuring that effective systems of internal controls are implemented and operating appropriately throughout their services, including adequate separation of duties, clear authorisation levels, and appropriate arrangements for supervision and performance monitoring;
- ensuring that those systems of internal controls are subjected to ongoing reviews and improvements wherever necessary;
- ensuring that appropriate action is taken in respect of any non-compliance in relation to internal controls systems
- providing assurance to the Chief Finance Officer regarding the effectiveness of the operation of internal controls, as a key part of the overall assessment of effectiveness used to inform the preparation of the Annual Report.

Audit requirements

4.11 The Chief Finance Officer is responsible for:

- maintaining an adequate and effective internal audit service, whether by contract with the Council or another provider; and
- ensuring that the company has an external auditor appointed in accordance with the provisions of the Companies Acts.

4.12 The Board of Directors is responsible for determining the appointment of the External Auditor, the terms of that appointment, and, at the end of the contract period, whether it should be terminated or renewed and for recommending the same to the Shareholder for approval. The Board of Directors is also responsible for reviewing and approving any change to the internal audit provider.

4.13 The company may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenues and Customs and the Inland Revenue, who have statutory rights of access.

4.14 The company office holders are responsible for:

- ensuring that auditors have access to all documents and records for the purposes for the audit and are afforded all facilities, co-operation and explanations required;
- co-operating in the production of annual internal audit plans by highlighting any areas of risk that may benefit from audit review; and
- implementing audit recommendations within agreed timescales.

Preventing fraud, bribery and corruption

4.15 The Chief Finance Officer is responsible for the development and maintenance of an anti-fraud, bribery and corruption policy appropriate for the level of risk.

4.16 The company will not tolerate fraud, bribery or corruption in the administration of its business, whether from inside or outside the company.

4.17 The company office holders are responsible for the successful implementation of controls designed to prevent and/or detect fraud in the company.

Assets

4.18 The Chief Finance Officer should ensure that records and assets are properly maintained and securely held and that contingency plans are in place for the security of assets and continuity of service in the event of disaster or system failure.

Cash flow

4.19 The Chief Finance Officer shall be responsible for the effective management of the company's cash flow, ensuring that sufficient funds are maintained to achieve the company's plans, with surplus funds being managed and invested, on the company's behalf and on the company's instructions, by the Council, under the terms of an agreement.

5. FINANCIAL SYSTEMS AND POCEDURES

Accounting Systems and Procedures

5.1 Good systems and procedures are essential to an effective framework of accountability and control.

5.2 The Chief Finance Officer is responsible for the operation of the company's accounting systems and the proper administration of the company's financial affairs, which includes requirements to :

- issue financial advice, guidance and procedures for those acting on the company's behalf;
- determine the accounting systems, form of accounts and supporting financial records, including minimum retention periods for those records;
- establish arrangements for audit of the company's financial affairs;
- approve any new financial systems to be introduced;
- approve any changes to be made to existing financial systems;
- ensure that accounting records are properly maintained and held securely;
- ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice;
- ensure there is a documented and tested business continuity plan to allow information system processing to resume quickly in the event of an interruption; and
- ensure that financial systems are documented and that the staff designated to operate them have been properly trained in their use.

5.3 The Chief Finance Officer is responsible for:

- ensuring the proper and prompt administration and recording of all invoicing, credit notes, income collection and debt recovery;
- ensuring that all monies received are properly receipted and recorded and banked promptly;
- ensuring that all payments due are made appropriately and are properly recorded in the financial system; and
- ensuring appropriate division of duties in financial procedures, so that there is a separation between those receiving funds, supplies or other assets, or

initiating/controlling the setting up of payments or purchases, and those approving the posting of transactions onto financial or purchasing systems. In addition, those responsible for budget management, who should review the income and expenditure posted to the accounts they manage, should be separate from both the posting of transactions and the control of the setting up of payments or purchases. Ideally those setting up suppliers should be separate from those posting transactions and those carrying out bank reconciliations. Where, due to the very small number of administrative staff acting for the company, there is no such separation, this shall be noted in written procedures, and the Chief Finance Officer shall ensure that appropriate checks are made and evidenced, at appropriate intervals, to ensure that this has not resulted in any irregularities.

5.4 The Chief Finance Officer is responsible for maintaining the company's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate. He/she is also responsible for commissioning or providing appropriate tax advice to the Board of Directors and the company office holders, when required.

Banking

5.5 The Chief Finance Officer is responsible for the operation of the company's bank accounts in accordance with best practice.

5.6 The Chief Finance Officer is responsible for all arrangements and communications with the company's banker, for ordering all cheques, drafts and methods for the electronic authorisation of payments, and for ensuring their safe custody.

5.7 The Chief Finance Officer is responsible for ensuring that all funds received are banked promptly, and that bank reconciliations are carried out weekly, and up to date, with any discrepancies identified and addressed promptly.

5.8 The Board of Directors is responsible for determining the company's banker, for the authorisation of any new bank accounts, and for approving named individuals who may authorise electronic payments.

5.9 Individuals authorised by the Board of Directors to authorise the release of electronic payments must:

- keep secure any electronic tokens or similar used to enable authorisation, and, if lost, report their loss immediately;
- keep entirely confidential all passwords used to access the system or systems in which the authorisation is enabled, ensure those passwords are in accordance with best practice as recommended by the company's IT advisers, and that they are updated regularly and not used for any other system access;
- only access those systems in accordance with advice from the company's IT advisers regarding the authorisation of electronic payments;

- follow in full the instructions provided for the authorisation of payments;
- ensure that any audit checks required on the payment file, or on individual payments, prior to authorisation have been carried out and evidenced;
- only authorise a payment file when confident that the payments are appropriate;
- liaise with the company's IT service if there are any technical issues concerning payment; and
- report any issues or concerns to the Chief Finance Officer at the earliest possible opportunity.

Taxation

5.10 The company will conduct its tax affairs with regard to the highest standards of probity and compliance.

5.11 The Chief Finance Officer is responsible for:

- the determination of the company's Corporation Tax liability;
- all liaison with HM Revenues and Customs concerning tax liabilities;
- ensuring that all payments of tax liabilities are made on time to avoid late payment penalties; and
- ensuring that any tax refunds due are claimed promptly.

5.12 The Chief Finance Officer is responsible for issuing guidance on the identification and coding of taxable transactions to those individuals responsible for the coding of relevant income and expenditure received or incurred in those transactions.

5.13 Those responsible for the coding of income must ensure that the correct VAT liability code is used, and those responsible for coding expenditure must ensure that VAT recovery is only sought where the Chief Finance Officer's guidance confirms that this complies with HM Revenues and Customs Regulations.

5.14 When construction and maintenance works are undertaken, the Project Manager and/or administrator responsible for checking and coding invoices must ensure that the contractor fulfils the necessary construction industry tax deduction requirements.

6 PROCUREMENT

Introduction

6.1 The company is committed to competitive procurement from the marketplace to achieve best value while minimising risk.

Procurement Practices

6.2 All those involved in procurement will ensure that the company's procurement practices are lawful, fair, open, transparent and professional and will observe the requirements of the company's Procurement Policy at all times.

6.3 All individuals carrying out procurement activities for the Company will raise any suspicions relating to unethical/unlawful practices immediately with the Chief Finance Officer.

6.4 In order to ensure that there is a robust segregation of duties, all procurement activities and procedures will, as far as is practically possible, adopt the principle of having more than one approver for key controls, including all supplier competitions, purchasing and payments.

6.5 Any individuals involved in procurement on behalf of the company will immediately withdraw from that involvement if they become aware of any potential perceived or actual conflict of interest on their part.

6.6 Official orders must be in a form approved by the Chief Finance Officer. Official orders must be issued for all work, goods or services to be supplied to the company, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions specified by the Chief Finance Officer.

6.7 Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of company contracts.

Key Controls

6.8 The key controls for ordering and paying for work, goods and services are as set out below.

- All goods and services are ordered only by appropriate persons and are correctly recorded.
- All goods and services shall be ordered in accordance with the company's procurement practices.
- Those staff responsible for initiating any procurement shall ensure that the suppliers used are appropriate, reputable, financially sound and maintain appropriate insurances relating to their service provision, as well as employer, public and, for suppliers of professional services, professional indemnity insurances.
- All goods and services received are checked to ensure they are in accordance with the order, and the check is evidenced. Goods should not be received by the person who placed the order.
- Payments are not made unless the goods or services have been received by the company, and checked to ensure that they meet the required price, quantity and quality standards.

- All payments are made to the correct company or person, for the correct amount and are properly recorded, regardless of the payment method.
- All appropriate evidence of the transaction and payment documents is retained and stored for the appropriate period, which shall be 6 years for all those related to taxable transactions, and one year after the completion of the audit of the year in which they were paid, for the rest.
- All expenditure, and VAT, is accurately recorded against the right budget and any exceptions are corrected.