

# Public Document Pack

## MINUTES OF A MEETING OF THE AUDIT COMMITTEE Council Chamber - Town Hall 18 October 2023 (7.00 - 9.15 pm)

**Present:**

**COUNCILLORS:**

**Conservative Group** Keith Prince, Damian White and David Taylor

**Residents' Group** Julie WilkesDavid Godwin (Vice-Chair)

**Labour Group** Jane Keane

**East Havering  
Residents Group** Darren Wise

Through the Chairman, announcements were made regarding emergency evacuation arrangements and the decision making process followed by the Committee.

### 113 **MINUTES OF THE MEETING**

The meeting minutes of the Committee held on 27 July 2023 were agreed as a correct record and would be signed by the Chairman.

### 114 **IMPACT OF IMPENDING ULEZ CHANGES TO THE COUNCIL'S FLEET ASSETS**

At the request of Members, a report that detailed the financial impact of the ULEZ enforcement that comes into force on the 29 August 2023, impacting across a wide range of council vehicles and departments.

The Sub-Committee was informed that the council operates a fleet of c. 200 vehicles across its various functions and the ULEZ compliance status summarised as follows by service:

Highways – operate vehicles 7500kg > 18,000kg and all are compliant for the up and coming ULEZ changes. The Highways vehicles are manufactured from 2014 > 2018 and the Highways contract is due for reprocurement in April 2024 at which point it is likely that the remaining in-house activities will be outsourced. It was stated that there is a freeze on replacing these operational vehicles which all have an operating life of 7 years. As these vehicles are all Euro 6 and are not subject to daily ULEZ charges.

Passenger Transport Services (PTS) – operate 62 vehicles ranging from 3500kg > 12000kg (15 seats to 73 seats). PTS had intended to replace 27 'out of life', non-compliant buses last year and were at the award stage in November 2022 when they were asked to defer most of the replacements pending a review of Home to School Transport policy. It was agreed that PTS would apply to TfL for Community Grace Period Certificates, which allow a temporary exemption period up to October

2025. This has now been completed. The current PTS fleet which is a mixture of Euro 5 and Euro 6 Vehicles are currently ALL exempt from ULEZ daily charges.

Grounds Maintenance and Environment/Neighbourhoods – both of these services have been the subject of deferred fleet replacement due to potential inclusion within procurement of larger contracts.

The Environment/Neighbourhoods function (mechanised sweepers) is now within scope of the new waste contract commencing with Urbaser in Autumn 2023.

It was stated that a decision was recently taken, when scoping the forthcoming Highways contract, to retain the grounds maintenance function in-house. A Non-Key ED is being prepared seeking permission to replace these vehicles and a procurement Gateway meeting is taking place this month to establish the agreed route to tender. However, pending delivery of the new grounds maintenance fleet assets, up to 32 vehicles will be subject to the ULEZ charge of £12.50 per day.

Housing – Most of the housing fleet is hired and ULEZ-compliant (Euro 6). There are also 8 x 3.5 tonne vehicles that are due for replacement and they will be subject to the daily ULEZ charge of £12.50 up to the point where replacement vehicles are available. Specifications are being agreed with the Housing service and a business case is being prepared to replace them.

Bereavement Services – The fleet are currently linked to the procurement of the grounds maintenance vehicles and all 4 vehicles are ULEZ non-compliant and are subject to the daily fine of £12.50. All are due to be replaced this year.

Pool Cars – The fleet usage is monitored over time relative to demand and as a result the number of pool cars has been reduced since its introduction from 20 to 10 remaining vehicles. It is proposed replace the remaining 'owned' fleet with electric vehicles once the charging infrastructure is in place. In the meantime, the current diesel vehicles are being sold and temporary (Euro 6) hired vehicles are replacing them.

Car Parks and Parking Enforcement – Both sections have been under review including their facilities operational base at Angel Way car park. On-going discussions are taking place regarding their fleet requirements including the possible provision of e-bikes. It was noted that Parking Services have 6 vehicles subject to the ULEZ daily charge of £12.50.

The report detailed a projected cost of replacing non-compliant vehicles. An appendix to the report identified the fleet and the following costs:

- The daily, monthly and yearly costs of ULEZ fines per vehicle.
- The ULEZ cost for this current year from 1<sup>st</sup> September 2023
- The estimated cost of replacing non-compliant fleet assets
- The estimated cost of replacing all vehicles including the buses with TFL community grace period application certificates.
- Identifies 201 vehicles with 68 ULEZ non-compliant.

The report detailed a projected schedule that identified a worst-case scenario in the unlikely event of no further fleet replacements being achieved during the

current financial year and all non-compliant vehicles being used daily, the Council's potential exposure to ULEZ fines would be approximately £103k in 2023/4.

It was noted that about 40 vehicles will incur ULEZ charges. The council has now put in place a ULEZ account with TFL to cover charges in order to avoid payment fines.

Members were informed that Transport Services would most likely absorb all the charges than go down the line of individual cost centres as the service was a trading service that brings in an income.

The Sub-Committee **noted** the current position of the council vehicles.

## 115 **MID-YEAR TREASURY MANAGEMENT REPORT 2023/24**

The Committee received an update on the mid-year report on the treasury management activities as required by The Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code ("TM Code").

The report stated that the Authority's Treasury Management Strategy Statement (TMSS) for 2023/24 was approved at the Cabinet meeting on 8 February 2023 and at Full Council on the 1 March 2023. The TMSS aims to bring together the Council's capital programme and its Budget to ensure borrowing decisions are affordable and sustainable in line with regulation.

The report covered activity on treasury managed investments and borrowings and the associated monitoring and control of risk.

The key highlights of the mid-year report were as follows:

- At the end of August 2023 the investment portfolio yield was 5.18% - this was achieved keeping investments on very short maturities thereby tracking successive increases in bank rate over the period.
- The Authority weighted average rate of return was 4.65% compared to Link's benchmarking club return of 4.38% for the last published quarter to the end of June – this was virtually risk free as all investments were placed with the Government Debt Management Office and a number of Local Authorities and NatWest Bank.
- Net interest outturn, expense is expected to be within budget.
- According to the Office for Local Government this Authority has one of the lowest debt servicing cost at 4.6% of core spending power, compared to other authorities in 2021/22.
- The Authority fully complied with the prudential and treasury indicators set out in the (TMSS) for 2023/24.

Members received responses to questions raised about the council's approach to borrowing and lending and risk in particular.

Officers stated that there has not been a shift in terms of re-profiling debt from the capital programme to the HRA.

It was clarified to Members that the council’s fixed term investment deposit were being monitored on a day to day basis. The current position was that there is very little risk in terms of losing the authority’s deposits.

Officers indicated that the council’s treasury advisers have not raised any issues on the council’s risk profile.

A Member asked that auditors look at the viability of each of the housing regeneration schemes.

The Committee **noted** the treasury management activities to August 2023 as detailed in the report.

**116 ASSURANCE PROGRESS REPORT**

The Committee was presented with a report that informed Members on the work undertaken by the Assurance Service (internal audit and counter fraud) during the period from 1 April to 30 September 2023.

The following summary of work undertaken by Internal Audit was detailed:  
The report indicated that some of the work undertaken by internal audit does not result in an opinion being provided such as advisory reviews and grant claims.

<b>Audit Plan Status</b>	<b>Number of Audits / Tasks</b>
Final reports issued / Reviews Completed	11
Draft reports issued	4

In giving an overall Audit opinion on the system control environment within the areas reviewed, there are two levels of assurance as follows:

<b>Key to Assurance Levels</b>	
Reasonable Assurance	The control framework is adequate to manage the risks in the areas reviewed. Controls are applied consistently or with minor lapses that do not result in significant risks to the achievement of system objectives.
Limited Assurance	There are fundamental weaknesses in the internal control environment within the areas reviewed, and further action is required to manage risks to an acceptable level.

The tables below detailed the results of the work undertaken during quarter one and two of 2023/24. These recommendations were provided with the limited assurance summary reports.

<b>Audit Title – LBH Systems Audits</b>	<b>Assurance</b>	<b>Recommendations</b>			
		<b>H</b>	<b>M</b>	<b>Adv</b>	<b>Total</b>
<b><u>Full System Reviews:</u></b>					
Service Charges Follow Up	Limited	2	0	0	<b>2*</b>

Duplicate Payments (Faster Payments)	Limited	3	3	1	<b>7</b>
DPIAs - CCTV (Follow up)	Reasonable	0	0	0	<b>0</b>
Responsive Repairs	Limited	1	1	2	<b>4</b>
<b><u>Advisory/ Grant Reviews:</u></b>					
Insurance Process Mapping (Phase One – Third Party Claims)	n/a	n/a	n/a	n/a	n/a
Mayors Appeal Fund	n/a	n/a	n/a	n/a	n/a
Supporting Families (Quarter One)	n/a	n/a	n/a	n/a	n/a
<b>System Audits Total</b>		<b>6</b>	<b>4</b>	<b>3</b>	<b>13</b>

Audit Title – LBH Schools Audits	Assurance	Recommendations			
		H	M	Adv	Total
St Patricks Primary	Reasonable	0	3	0	<b>3</b>
Parklands Primary	Reasonable	0	2	0	<b>2</b>
Engayne Primary	Reasonable	0	1	0	<b>1</b>
Gidea Park Primary	Reasonable	0	5	2	<b>7</b>
<b>School Audits Total</b>		<b>0</b>	<b>11</b>	<b>2</b>	<b>13</b>

It was noted that Internal Audit follows up all high and medium risk audit recommendations with relevant service management. There is a rolling programme of follow up work with each auditor taking responsibility for tracking the implementation of recommendations made in their audit reports. The implementation of audit recommendations in systems where limited assurance was provided is verified through a follow up audit review.

It was stated that the work is of high importance given that the Council's risk exposure remains unchanged if management fail to implement the recommendations raised in respect of areas of control weakness. Part of the Audit Committee's role is to monitor the extent to which recommendations are implemented as agreed and within a reasonable timescale, with particular focus applied to any high risk recommendations.

All high and medium risk recommendations due as at the end of September 2023 have been followed up and confirmed with management as implemented. Any recommendations that remain outstanding and are past agreed implementation dates, or where management have not responded to requests for progress updates, will be reported to Audit Committee.

Recommendations were classified into three potential categories according to the significance of the risk arising from the control weakness identified. The three categories comprise:

<b>High</b>	Fundamental control requirement needing implementation as soon as possible.
<b>Medium</b>	Important control that should be implemented.
<b>Advisories</b>	Pertaining to best practice.

Members sought and received clarification on specific questions matters raised.

The Committee **noted** the contents of the report.

---

**Chairman**