



## **MINUTES OF THE MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE**

**TUESDAY 25 MARCH 2025  
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON  
& HYBRID MEETING SYSTEM**

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### **Committee Members Present:**

Councillor Bruce  
Councillor Jardine  
Councillor McGuire  
Councillor McLeod  
Councillor McFarlane  
Councillor Ritchie  
Councillor Trotter

### **Other Councillors Present:**

Councillor Hampshire  
Councillor McMillan

### **Council Officials Present:**

Ms S Fortune, Executive Director for Council Resources  
Ms L Brown, Interim Chief Executive  
Ms H Barnett, Head of Corporate Support  
Ms E Dunnet, Head of Finance  
Ms W McGuire, Head of Housing  
Ms N McDowell, Head of Education  
Mr T Reid, Head of Infrastructure  
Ms L Byrne – Head of Children's Services  
Mr D Hood, Head of Operations – East Lothian Social Care Partnership  
Ms C Rodgers, Head of Communities & Partnerships  
Mr S Kennedy, Team Manager – Emergency Planning & Resilience  
Mr C Grilli, Service Manager – Governance  
Mr D Stainbank, Service Manager – Internal Audit  
Mr P Grant, Service Manager – Property Maintenance  
Ms L Deegan, Companies Manager – Development  
Mr S Cooper, Service Manager – Communications  
Mr R Fennessy, Head of Finance & Systems – Enjoy Leisure  
Mr B Axon, Chief Executive – Enjoy Leisure

### **External Audit:**

Mr J Boyd, Audit Director – Audit Scotland  
Mr M Ferris, Senior Audit Manager – Audit Scotland

### **Clerk:**

Ms B Crichton (Minutes: Ms M Scott)

**Apologies:**

Councillor Menzies

**Declarations of Interest:**

Item 9: Councillor Ritchie made a declaration of interest due to having been very involved in decision making on the Enjoy Leisure Board.

**1. MINUTES OF AUDIT & GOVERNANCE COMMITTEE  
17 December 2024**

Subject to the correction of an error regarding the deadline for the analogue to digital switchover, the minutes from the Audit and Governance Committee from 17 December 2024 were approved as an accurate record.

**2. HEALTH & SOCIAL CARE PARTNERSHIP, EDUCATION, CHILDREN'S SERVICES, AND INFRASTRUCTURE RISK REGISTERS**

A report was submitted by the Chief Executive to present the Audit and Governance Committee the Health & Social Care Partnership, Education, Children's Services, and Infrastructure risk registers for discussion, comment, and noting. The Risk Registers had been developed in keeping with the Council's Risk Management Strategy and were live documents which were reviewed and refreshed on a regular basis, led by the Local Risk Working Groups within each service.

Scott Kennedy, Team Manager – Emergency Planning and Resilience, presented the report. He highlighted updates made to the Education risk registers since publication of the report. He advised that: R177, condition of the school estate, was now at 20 (4x5); R179, unpredictable rise in the number of children with additional support needs (ASN), was now at 20 (4x5); R 130, school premises security deficiencies, was now at 16 (4x4), and R174, effect of budget challenges, was now at 16 (4x4).

Mr Kennedy went on to explain that: very high risks were unacceptable, and measures should be taken to reduce, transfer or treat the risk to a more tolerable position; high risks may be tolerable providing the Council was assured that adequate and effective control measures were in place; medium risks were tolerable with cost-effective control measures; and low risks were broadly acceptable without any further action to prevent or mitigate risk.

**a) Education Risk Register**

Mr Kennedy reported the Education Risk Register included two very high risks, three high risks, and eight medium risks. In accordance with the Risk Management Strategy, only very high and high risks identified would be subject to closer scrutiny by the Council's Management Team, the Cabinet, and the Audit and Governance Committee.

Responding to a question from Councillor McLeod, Mr Kennedy explained the Risk Register showed Education were confident with the planned measures in place to bring the score down to an 8 over time with the current control measures in place.

Councillor Jardine asked for further explanation on how the corrective actions for R177 were coming together. Nicola McDowell, Head of Education stated Education and Mr Reid's service work closely on that risk and there was uncertainty where growth was going to have an impact, so the team were looking closely at the methodology for predicting role projections. She explained the current formula for predicting role projections and the governance structure around learning estates noting that this allowed for education and infrastructure to look at what absolutely needs done, by when and what the urgency of the project is as it informs if a bid needs to be made for capital funding. Ms McDowell added at the moment the main focus was on prioritisation and the last Learning Estate Project Board looked at every project currently within the learning estate improvement plan and where prioritisation needed to sit. She confirmed the prioritisation of projects would be concluded by June as decisions then need to be made as to how the capital funding that is in plan at the moment will be spent.

Responding to a follow up question from Councillor Jardine, Ms McDowell said there was a recent internal audit on the methodology that the department used in terms of rule projections particularly relating to another local authority and reasonable assurance was given that the methodology was right.

Councillor Bruce asked why the learning estate strategy and improvement plan had been created prior to the review on methodology for calculating school capacity was completed. Ms McDowell confirmed the methodology was in place before the learning estate improvement plan was produced but it was constantly being reviewed to ensure it was fit for purpose.

Responding to further questions from Councillor Bruce, Ms McDowell stated capital bids were made in September therefore we would be ready for any bids that needed to be made for a future year by having completed that process in June and that capital funding was already secured for school security and ASN as those projects would take place across this academic session. Mr Tom Reid, Head of Infrastructure added that this year the engineering team had £3 million in capital allocation to deal with standard maintenance and improvements so an evaluation is done on the condition of schools and prioritise works to bring them to a state that is fit for purpose, He explained that work continued in the background and was not something that was explained to the capital programme.

Councillor Ritchie asked if there was any evidence on the rise of children with ASN slowing down at all or if the reduction in risk is because we have adapted better. Ms McDowell explained the risk was reducing because of the mitigations that have been introduced and not because the number of children with ASN had decreased. She added the rise in children with ASN was a national rise due to better diagnosis, better healthcare and schools were better at recognising when children required additional support. Ms McDowell stated it was very difficult to predict whether or not the rise would continue but given the growth in East Lothian it was likely the rise would continue.

#### **b) Children's Services Risk Register**

Mr Kennedy reported the Children's Services Risk Register included one very high risk, three high risks, one medium risk, and one low risk.

Councillor Jardine asked if noncompliance with data protection appeared on any other services risk register and if not, why was it such a risk in this area. Mr Kennedy

confirmed data protection was captured in all risk registers, including the corporate risk register. Ms Lindsey Byrne, Head of Children's Services added the decision to keep this in the risk register was made due to the volume and sensitivity of the data Children's Services handle. She added many steps were taken to ensure there were no data breaches but because of the sheer volume of data it felt proportionate to raise it as a risk at this level.

Responding to a follow up question from Councillor Jardine, Ms Byrne explained there were corrective actions for the risk, but the format of the report does not show actions already taken but instead only shows future actions. She added measures were already in place including regular raising at briefings, training and awareness raising.

Councillor Bruce asked how likely it was to meet the target of reducing external placements by a minimum of one per year. Ms Byrne confirmed this was a brand new target and is part of the proposal to provide some efficiencies in children's services over the next four years to try to reduce external placements by one per year. She added it was very likely this would be met but it was preventing more going out of the local authority that would be a significant challenge but the department was confident they were doing the right things to reduce the likelihood of children becoming accommodated externally and they continued to be pleased with the direction of travel in terms of meeting the promise to reduce the number of looked after children.

#### **c) Infrastructure Risk Register**

Mr Kennedy reported the Infrastructure Risk Register included three very high risks, 21 high risks, 30 medium risks, and 14 low risks.

In response to a question from Councillor McLeod, Mr Reid explained the license conditions were now more onerous, so vehicles need to be renewed more frequently, and the maintenance requirements are obviously of a high standard which places additional pressure on taxi providers as well as supply chain issues over the cost and parts availability.

Councillor Bruce asked how often as a Council we were using taxies when it was not legally required. Mr Reid explained social work and education have specific client requirements and taxies are the most appropriate way to provide this. Mr Reid agreed to provide a quantum of how much the Council was spending on taxies to Members offline.

Responding to further questions from Councillor Bruce, Mr Reid explained there is a sophisticated fleet management system that records all of the maintenance requirements, services and any issues that appear over the lifespan of the vehicle therefore when a vehicle is brought in on capital purchase or lease the average industrial lifespan is known. He added there was flexibility to make determinations as the vehicles come to end of life with extending and equally disposing of vehicles earlier than their average lifespan, but very specific criteria would have to be met to allow for this. Mr Reid stated at the moment market conditions were extremely challenging as well as supply and manufacturing issues, but he reassured Members there were professionals officers in the team who were engaged in that on a daily basis.

Councillor Bruce also asked what work had been done to ascertain the state of Harbours within East Lothian. Mr Reid made Members aware that Port Seton

Harbour was not under the Councils control but for the harbours that were under our control the Council worked in partnership with Fisherrow Partnership, North Berwick Harbour Trust, Dunbar is under Dunbar empowerment order and Cockenzie is looked after primarily by the Council. He added that were rangers and engineering teams who do inspections and try to forecast issues, as do the partnership groups that work with the Council. Mr Reid provided Members with an update on the current condition of both North Berwick and Musselburgh Harbours and the future plans for them and noted that the Council had received funding from the Scottish Government for enhanced coastal management so a contractor would soon be appointed to do the modelling right along the coast and to look at scenarios over the next 100 years of where increased sea levels and storm activity would impact the coast. He explained from that information a risk register would be created to look at where would be impacted the most and to look at option appraisals, but this work could take a couple of years.

Councillor McFarlane asked what place were in place to enlarge or change catering halls within schools in order to accommodate the increase we are going to have in free school meals. Mr Reid stated a lot of the dining halls within schools were not designed for the level of pupil numbers and where schools could be extended this had been done with section 75 money, but other schools gym halls have been used for allow extra space. He added his team and education work closely on a weekly and monthly basis to manage pupil numbers and the number of pupils likely to take up school meals and in terms of numbers, things are fine for the coming year. However, Mr Reid explained that when the full school meal roll out happens or if there is a higher uptake in school meals before then, there would be significant challenge and potential failure. He stated a paper was put forward to the Scottish Government two years ago making them aware of the need to bring dining halls and catering provisions up to standard and without core grants the Council would be unable to meet the potential targets of provision for all pupils. He confirmed further engagement and work with the Scottish Government would continue on that.

Responding to a question from Councillor Jardine, Mr Reid confirmed there were no primary schools within the PPP contract but instead six high schools under that framework, all of which conclude in 2034 and a special project had been set up to work towards the hand back strategy so our own officers in the PPP team in education, engineering and strategic assets aligned with SFT would get the best possible asset results when they come back to the Council in 2034. He stated the flexibility within the PPP was mixed in terms of immediate delivery but it was absolutely fit for purpose and noted where there was a need for expansion it was difficult to deliver due to the contract mechanism in terms of access to land, how you build, who builds and the longevity as well as challenges across the PPP estate due to schools being considerably aged when PPP upgrades came in so adding extensions may not be the most appropriate solution. Mr Reid said beyond 2034 the Council would have to look at one or two school replacements, but this would come forward in the next few years to ensure a robust approach and understanding of the fiscal challenges.

#### **d) Health & Social Care Partnership Risk Register**

Mr Kennedy reported the Infrastructure Risk Register included one very high risk, 12 high risks, and 9 medium risks.

Responding to a question from Councillor Bruce, Mr David Hood, Head of Operations – East Lothian Social Care Partnership reported from an East Lothian perspective, good progress had been made in terms of MAT standards but in terms of drug

related deaths what was found in the most recent publication was a significant number of those deaths were not known to substance use services so the opportunity from the MAT standards to intervene was fairly limited. He explained on the back of that information a group has been set up involving other agencies such as police justice and social work because the reality is people may not be known specifically to substance use services but are known within other services in East Lothian. Mr Hood stated a vulnerable persons database would be set up to understand who those people are and the best way to target and engage with them directly rather than waiting on them being referred into substance use services.

In a follow up question Councillor Bruce asked if Mr Hood had an evaluation of whether the MAT standards were actually working. Mr Hood explained it had been making sure we were implanting and enacting each of the components and ultimately the evidence would be that we see a reduction in the number of probability deaths but at the moment the numbers remain broadly static. He agreed to take this question away and link in with the Scottish Government in terms of what wider evaluation of the MAT standards had taken place.

Responding to multiple questions from Councillor Jardine, Mr Hood explained the funding was part of the unscheduled care work with the Scottish Government and NHS Lothian had recently received additional funding to be able to address some of the challenges around A&E waiting times and a reduction in discharge times to create beds for people to move into. He noted from a financial perspective the additional funding was welcomed and from a risk perspective there would only be solutions put in place for which we had funding. Mr Hood highlighted a number of things from the workforce risk detailing which received additional funding and ones that did not receive any.

### **Decision**

The Committee agreed to note the Risk Registers and in doing so, the Committee noted that:

- i) The relevant risks had been identified and that the significance of each risk was appropriate to the current nature of the risk.
- ii) The total profile of the risks can be borne by the Council at this time in relation to the Council's appetite for risk.
- iii) Although the risks presented are those requiring close monitoring and scrutiny over the next year, many are in fact longer-term risks and are likely to be a feature of the risk register over a number of years.

### **3. INTERNAL AUDIT REPORT: MARCH 2025**

A report was submitted by the Service Manager for Internal Audit to inform the Audit and Governance Committee of Internal Audit reports issued since the last meeting of the Committee and provide an update on progress made against the 2024/25 annual audit plan.

Duncan Stainbank, Service Manager for Internal Audit, reported since the last meeting of the Committee final reports had been issued in respect of the following audits; Adult Social Work Case Management System and Housing Voids both of which provided reasonable assurance. He provided an update of the key findings and recommendations for the completed audits, noting the completion dates for each.

Responding to questions from Councillor McLeod, Mr Stainbank stated he was not aware of visits to properties being recorded if the tenant was not present as the purpose of pre-termination visits are to talk with the tenant about the state the property needs to be in when they return it, not to review the state of the property at that particular time. He also made Members aware he did not have a figure for the recovery of funds, but he would provide this information to them out with the meeting. Wendy McGuire, Head of Housing added that if a tenant is not there when visiting a property to do a pre-termination inspection then officers are not allowed to access the property to do the inspection. She noted there had been discussions around whether officers could take forced entry which she did not think was possible, but it was something she could discuss with legal. Ms McGuire recovery of funds was an area that required improvement, but the exact figures would be provided to Members.

### **Decision**

The Audit and Governance Committee noted:

- i. the main findings and recommendations from the Internal Audit reports issued during the period from January 2025 to March 2025 as contained in Appendix 1; and
- ii. Internal Audit's progress against the annual audit plan for 2024/25 as set out in Appendix 2.

## **4. INTERNAL AUDIT CHARTER 2025/26**

A report was submitted by the Service Manager – Internal Audit. It had been noted to the Audit & Governance Committee in December 2024 that the change from Public Sector Internal Audit Standards (PSIAS) to Global Internal Audit Standards (GIAS) was likely to require a revised Internal Audit Charter to be developed and approved, and the revised charter would be submitted to the Audit and Governance Committee. The report provided the updated Internal Audit Charter, in accordance with GIAS, for approval that defines the purpose of internal audit and the mandate for internal audit within East Lothian Council. The Charter clarified the independence, organisational position, and reporting relationships of Internal Audit; outlining the roles and responsibilities of the Audit Committee and the Chief Audit Executive, who is the Service Manager – Internal Audit for East Lothian Council and East Lothian IJB. The updated Internal Audit Charter was being presented to the Audit and Governance Committee for approval, for use from 1 April 2025. The Internal Audit Charter would continue to be presented for approval on at least an annual basis.

Duncan Stainbank, Service Manager – Internal Audit, presented the report. He advised that the Charter had been developed using the Chartered Institute of Internal Auditors' template Charter, and was in accordance with GIAS, for implementation from 1 April 2025. He highlighted that page 50 outlined the oversight required by the Audit and Governance Committee.

Councillor Jardine commented on the use of Americanised spellings, and Mr Stainbank advised that some sections had come from templates with Americanised spellings; he would look at this.

Councillor Trotter moved to a roll call vote, and Committee members unanimously agreed to approve the report's recommendations.

### **Decision**

The Audit and Governance Committee agreed to:

- Note that the Internal Audit Charter had been fully updated in accordance with the Chartered Institute of Internal Auditors model charter and in compliance with Global Internal Audit Standards in application in the UK public sector from 1 April 2025;
- Approve the revised Internal Audit Charter shown at Appendix 1 for use from 1 April 2025; and
- Note that the Internal Audit Charter would be reviewed annually.

## **5. INTERNAL AUDIT STRATEGY & PLAN 2025/26**

A report had been submitted by the Service Manager – Internal Audit to inform the Audit and Governance Committee of Internal Audit's Operational Plan for 2025/26.

Mr Stainbank presented the report. He explained that the Committee was asked to approve the Internal Audit Strategy and the Internal Audit Plan in accordance with GIAS. He advised that the Internal Audit Strategy at Appendix 1 outlined the strategic direction of how internal audit would achieve its objectives, which were set out in the Internal Audit Charter and conformed with GIAS. The Internal Audit Plan was also included as Appendix 2, with expected audits set by the current directorate, including Enjoy Leisure. He explained that specific proposed audit assignments would be reviewed throughout the year, and significant changes to the plan would come to the Audit and Governance Committee for approval.

There were no questions or comments on the report, so Councillor Trotter moved to a roll call vote. Committee members unanimously agreed to approve the report's recommendations.

### **Decision**

The Audit and Governance Committee agreed to:

- Approve the Internal Audit Plan for 2025/26; and
- Approve the Internal Audit Strategy 2025/26.

**Sederunt:** *Councillor McMillan joined the meeting.*

## **6. COUNTER FRAUD ANNUAL PLAN 2025/26**

A report had been submitted by the Service Manager – Internal Audit to inform the Audit and Governance Committee of the Counter Fraud Operational Plan for 2025/26.

Mr Stainbank presented the report. He highlighted two specific areas; that 100 days would be spent on coordinating with other Council services and completing investigation into NFI matches provided every two years across the UK public sector



including matches in council tax benefits, payroll, non-domestic rates, housing, car parking permits and blue badges. In addition 40 days was being allocated to develop an enterprise wide fraud risk assessment as a result of the guidance from the Economic Crime and Corporate Transparency Act 2023.

Responding to a question from Councillor McLeod, Mr Stainbank advised that there was a permanent Counter Fraud Officer in post, and progress made in terms of money recovered would be presented to the Committee in June. Councillor McLeod responded that when significant amounts of money were being saved, this put a lot of pressure on one officer; he looked forward to the June report. Mr Stainbank confirmed the post was initially a temporary post for a trial period to prove the concept and that post was made permanent last year.

Councillor Jardine asked about whether counter-fraud activities concentrated more on individuals inside or outside the organisation. Mr Stainbank advised that the majority of time is spent on people outside the organisation with investigation of individuals inside the organisation coming up periodically and at short notice, so there was flexibility within the plan to move between internal and external investigations.

Councillor Trotter moved to a roll call vote, and Committee members unanimously agreed to approve the report's recommendations.

### **Decision**

The Audit and Governance Committee approved the Counter Fraud Plan for 2025/26.

## **7. ANNUAL AUDIT PLAN 2024/25 (AUDIT SCOTLAND): VERBAL UPDATE – John Boyd**

John Boyd presented a verbal update on the Annual Audit Plan 2024/25 providing an update on the completion of the annual audit for 2023/24 which included the upcoming sign off of accounts on the 27<sup>th</sup> April as audit work had been completed and the updated accounts had been amended to reflect the valuation work undertaken by officers. He also provided Members with an update on the audit plan for 2024/25 making them aware a draft plan would be made available to management on Friday or Monday the following week with the draft plan being presented to Committee in June.

Mr Boyd explained in terms of planning work, one of the responsibilities of the accounts commission was to have coordinating scrutiny so Audit Scotland would be liaising with scrutiny partners in a local area network which was scheduled for early next month and the outcomes would be shared with East Lothian Council's management team. He added audit planning work was going well, and he didn't see any delays from the prior year having a detrimental impact in terms of delivery this year therefore was working towards a November or December sign off for this year and then a September sign off over the next couple of years.

Mr Boyd confirmed the final audit report would be presented at full Council in April as part of concluding the 2023/24 audit work. He made Members aware that the conclusions of the annual audit report and wider best value work had been undertaken over the last two years.

There were no questions or comments on this report.

## **Decision**

The Audit and Governance Committee noted the verbal update.

**Sederunt:** *Councillor Ritchie left the meeting.*

## **9. ENJOY LEISURE REPORT**

Bill Axon, Chief Executive – Enjoy Leisure, presented his report drawing Members attention to two major things; lack of funding and lack of investment. He added that around 50% of the reduction in visitors had come from the closure of the Loch Centre swimming pool and RAAC issues within the North Berwick site. Mr Axon also highlighted the issues Enjoy had faced with the transition to a new management information system so the information may not accurately reflect the numbers who have been visiting facilities due to downtime with the system from Wi-Fi issues or the change over to the new system.

Robert Fennessey, Head of Finance – Enjoy Leisure provide an overview of the end of year position which included an overspend of £131,000, the primary reason for this was vacancies held across various centres over the course of the year which created operational issues. He added the £131,000 overspend included a significant underspend on pay budgets of around £225,000 so the income received was £50,000 under budget for the year which is £140,000 better off than the year before. Mr Fennessey explained the closure of the Loch Centre swimming pool, the temporary closure of squash courts and trampolining area within the North Berwick centre and also the four month closure of Wiggles soft play within the Loch Centre all contributed to Enjoy not achieving the budgeted outcome they would have liked to achieve. He noted the increase in the national minimum wage continued to cause additional financial pressure.

Councillor Jardine asked what amount of the reserves were restricted and unrestricted. Mr Fennessey reported in terms of liquid reserves that can be used there was around £1.1 million with only around £18,000 of that being restricted at the end of 2023/24. He explained the restricted reserves had mostly been received from grants or donations that were to be used for a specific purpose.

Responding to a follow up question from Councillor Jardine, Mr Fennessey stated that work was currently being conducted on Enjoy's wider framework of available activities and the pricing structure and this would be reported to the Board within the next reporting cycle. He added there was absolutely no question what Enjoy provides was as good as, if not better than other local authorities on the basis that there were facilities in each major town. Mr Fennessey noted facilities were utilised by local clubs, communities and individual groups across swimming and classes. He explained Enjoy would continue to review what they provide and if there was opportunity to improve then this was something they would do however, due to some of the challenges they faced Enjoy would need to be assured any changes they made to their programming and what they offer wouldn't put an additional financial strain on the organisation.

Councillor Jardine asked specifically about market analysis and if this was something Enjoy had carried out. Mr Fennessey confirmed that was currently being done with the marketing manager and external organisation.

Responding to a question from Councillor McLeod, Mr Axon confirmed there was new competition within East Lothian but there was nothing to suggest this had had a drastic impact on Enjoy and instead the major issue was around closure of facilities and the length of time repairs were taking to be carried out. Mr Axon wanted to make it clear he was making no criticism against Mr Reid and his team and instead this delay was caused by external specialised companies no longer having stores and stock within their businesses post covid. He instead applauded the Council's property maintenance team for their identifying problems quickly it was just unfortunate those issues would not be remedied as fast. Mr Axon added that there was no doubt the closure of facilities over the year period had significantly impacted Enjoy's ability to maximise on service delivery. He also noted that since covid the recruitment of staff had been more difficult due to not receiving any money from the government to cover losses during lockdown, Enjoy had been unable to provide a wage increase to staff which meant there was not a 14% pay difference between East Lothian Council and Enjoy staff on the same grade. Mr Axon confirmed Enjoy would be implementing a new strategy to align themselves with East Lothian Council payment structure. Mr Reid stated although the Loch Centre had suffered significant periods of closure and would probably close for a further year for a £5 million capital refurbishment this would be completed by 2027 an equally the Aubigny had received over £1 million investment through section 75 to allow for expansion of the gym and upgrade work. He added there had been a significant increase in memberships since the expansion in Haddington.

Councillor McGuire commented that he thought we were in danger of getting fixated on the cost and reducing numbers which there are a variety of reasons for and are all justifiable. He added that the Haddington extension had definitely increased numbers greatly as the gym was incredibly busy. He added that East Lothian had a great track record of sporting activities from kids to older people right across the county a lot of which he believed started off at facilities provided by Enjoy as well as the ongoing benefits of health and well-being, not only physical but mental as well

## **Decision**

The Audit and Governance Committee noted the report.

***Sederunt:*** Councillor Ritchie re-joined the meeting.

## **8. EAST Lothian INVESTMENTS LTD**

A report had been submitted by the Companies Manager – East Lothian Investments Ltd. to inform the Audit and Governance Committee of the work undertaken by East Lothian Investments Ltd. in 2023/2024.

Lisa Deegan, Companies Manager – East Lothian Investments Ltd presented her report, drawing Members attention to a few key points including a fundamental change to key personnel extending across the company manager role and administrative support for the day to day operation of the loan fund. She explained in order to manage the inevitable risk during this transitional period the loan book was

closed to new applications throughout the first nine months of the reporting period with it reopening in December 2023.

Ms Deegan reported two applications were received and presented to the decision panel in the first round of her tenure, with one to value of £25,000 successfully awarded and issued. A second loan decision panel was held in March 2024 where four loan applications were reviewed, two of which were awarded with a combined value of £37,000 received loan offers and ultimately £25,000 completed. She stated these were not included in the reported figures as they were completed after the end date, so she felt 2023 to 2024 had been a transitional year.

Ms Deegan noted in the last 12 months ELI had issued 17 new loans to a total value of £307,000 which was going directly to small businesses across East Lothian. However, the Board have been closely monitoring indicators of financial stress across the existing loan book and there have been an increase in the number of clients requesting support, such as payment holidays as well as uplifts in bad debt with write-offs of £47,000 in the year. She stated this was due to two sizeable businesses going into liquidation during the period with remaining balances on their loans at the time of default. Ms Deegan said the Board remained firmly committed to supporting East Lothian businesses with an ambition to prosper and grow and considerable focus would be given to exploring opportunities to secure new funding sources and partnerships for ELI loan funds.

Councillor Jardine asked if any analysis of the distribution of funds to businesses, whether they've got a particular demographic, or equalities split. Ms Deegan stated the historic record keeping was variable and she wouldn't want to share any analysis from years gone by which may be misleading, but she did have some demographic analysis for the new loans written during her tenure since July 2023 and she was happy to share that with Committee outside of this meeting.

Responding to a further questions from Councillor Jardine, Ms Deegan stated ELI was industry agnostic, but she did see flutters of specific sectors coming in with applications such as hospitality and leisure and outdoors activities being prominent at the moment. She confirmed there was an alignment between ELI and QMU Innovation Hub and she was hopeful to see new and exciting opportunities coming from them.

Councillor McLeod asked if Ms Deegan could provide the amount of debt left within the company as a monetary figure as opposed to the percentage shown within the report. Ms Deegan was happy to provide this outside of the meeting.

Councillor McMillan declared he was the director of ELI. He asked Ms Deegan to say something around the due diligence that goes into looking at a loan beyond the purely financial elements and the role of the Board in their local knowledge of the market, economy and local businesses and the way in which the decisions about granting a loan or allowing repayment holidays were taken. Ms Deegan stated there was a focus on the financial review and the due diligence that goes into that was at a high bar, but the Board did also consider the merits of existing and historic performance of the company and financial projections within the business case. She added that the diversity of the Board was valuable in allowing an additional layer of knowledge and insight with regards to East Lothian.

## **Decision**

The Audit and Governance Committee noted the report.

Signed .....

Councillor T Trotter  
Convener of the Audit and Governance Committee