



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

**TUESDAY 14 FEBRUARY 2023
VIA DIGITAL MEETINGS SYSTEM**

Committee Members Present:

Councillor McFarlane

Councillor Jardine

Councillor Menzies (Convener)

Councillor McGuire

Councillor Ritchie

Councillor Trotter

Council Officials Present:

Ms M Patterson, Chief Executive

Ms S Fortune, Executive Director for Council Resources

Mr D Proudfoot, Executive Director for Place

Ms L Brown, Executive Director for Education and Children's Services

Ms M Sullivan, Head of Development

Ms W McGuire, Head of Housing

Ms M Ferguson, Head of Corporate Support

Ms E Dunnet, Head of Finance

Mr D Stainbank, Service Manager – Internal Audit

Mr P Vestri, Service Manager – Policy, Improvement & Partnerships

Mr S Kennedy - Emergency Planning, Risk and Resilience Officer

Mr C Grilli, Service Manager – Governance, Council Resources

Ms S Saunders, Head of Communities and Partnerships

Ms R Brown, Audit Scotland

Mr J Boyd, Audit Scotland

Ms A Hood, Team Manager – EL Works

Mr N Craik-Collins, Education Service Manager

Ms A Mackay, Team Leader - Employability

Mr R Baty, Companies Manager – ELL & ELI

Ms Z Rathe, Team Manager – Information Governance

Ms L Kerr, General Manager Planning & Performance

Clerk:

Ms M Scott

Ms R Crichton (back up)

Apologies:

Councillor L Bruce

Declarations of Interest:

- 1. MINUTE OF AUDIT & GOVERNANCE COMMITTEE ON 29 NOVEMBER 2022**

The minutes of the Audit & Governance Committee from 29 November 2022 were approved as an accurate record.

2. INTERNAL AUDIT REPORT: FEBRUARY 2023

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, provide details of Internal Audit's follow up work undertaken and provide an update on progress made against the 2022/23 annual audit plan.

Duncan Stainbank, Service Manager for Internal Audit reported that since the last meeting of the Committee final reports had been issued in respect of the following audits: East Lothian Works, Systems & Data Backup and Recovery Testing. Both East Lothian Works and Systems & Data Backup and Recovery Testing were both given an assessment of reasonable assurance.

East Lothian Works

Mr Stainbank explained that the internal controls in place for East Lothian Works were generally reliable however some improvements could be made to provide a fully effective control process. East Lothian Works is the Council's central hub which provides employability services across East Lothian. Grant funding for programmes is provided primarily from the Scottish Government, East Lothian Works was awarded No One Left Behind funding of approximately £985k on 23 March 2022 for financial year 2022/23.

Mr Stainbank highlighted the key findings and recommendations which had all been agreed with management.

Mr Stainbank paused at this point in his presentation to allow for questions.

Councillor Jardine asked if it were possible to discuss the overpayment amounts of Covid Grants and any actions that have been or are being taken to recover these and if there were any processes in place to prevent future overpayments. Mr Stainbank explained the figures in this report are from the Covid-19 Grants Review which was completed in June 2022 where there were two overpaid grants. Mr Stainbank agreed to try to find the figures and update Councillor Jardine outside of the meeting. Mr Stainbank added that the majority of Covid-19 Grants have now closed to new applications therefore he wouldn't expect any further overpayments to come forward.

In response a further question from Councillor Jardine regarding the validation checks of East Lothian Works Mr Stainbank explained that as the audit had been carried out early on it picked up what checks had not been taken as at that point there had been no time for self-reflection from East Lothian Works.

Councillor Jardine asked if Mr Stainbank had an assurance that the figures of funding that goes into East Lothian Works was demonstrating a transformative element of value to both clients and businesses locally. Mr Stainbank reported that from the audit work carried out for individuals there had been a transformative effect in relation to their employability which was reflected in the number of individuals that go into employment coming out of the process. He added the figures on the report showed 201 people were helped into employment in 2021-22 and 69 people for 22-23 which will have gone up now.

Neil Craik-Collins, Education Service Manager stated they report into PPRC for the adult numbers which significantly increased over the Covid period on adult employability. He added they report on the participation measure which is three years beyond the point of school and has had positive results. Mr Craik-Collins added the figures for initial positive destinations are reported to either PPRC or the Education Committee and both these figures and participation measure figures are at the top end of results in Scotland so they are able to show in detail the impact the investments are making. Mr Craik-Collins said more detail could be provided by Mrs Hood outside of the meeting if this is something Councillor Jardine was interested in.

Councillor Trotter asked if the issues around formal summary discussions had been addressed. Mr Craik-Collins explained that handwritten notes were taken with the improvement recommendation being they should be typed up and stored centrally. He noted that point was taken on board along with other processes as part of the audit report and were fully implemented.

Councillor Trotter questioned if the reviews of Homelessness Services and the Housing Management System Replacement Project had started yet. Mr Stainbank reported that both of these audits were due to start just before Easter and he was expecting to report into Committee in June this year.

Mr Stainbank reported that since the last committee Internal Audit have completed follow up reviews on Covid-19 Grants with seven out of nine recommendations already implemented and 2 recommendations in relation to the transfer of files and overpaid grants still in progress. He confirmed both of these are scheduled for completion by April 2023.

Mr Stainbank informed members the follow up review on Risk Management showed two recommendations, one of which is fully implemented and the other being the full implementation of the new risk management software is due for completion in April 2023. Mr Stainbank also provided an Internal Audit Progress Report for 2022/23 with the expectation of completion by the June 2023 committee. Mr Stainbank added that 75% of the plan was already underway with the remaining elements to start within the next two months.

Decision

The committee agreed to note:

- i. the main findings and recommendations from the Internal Audit reports issued during the period from November 2022 to February 2022 as contained in Appendix 1 and covered in agenda item 11;
- ii. the findings from Internal Audit's follow-up work;
- iii. Internal Audit's progress against the annual audit plan for 2022/23 as set out in Appendix 2.

3. INTERNAL AUDIT PLAN

A report was submitted by the Service Manager for Internal Audit to inform the Audit and Governance Committee of Internal Audit's operational plan for 2023/24.

Duncan Stainbank, Service Manager for Internal Audit reported that Internal Audit were required to give an opinion on the Council's control environment in the annual Controls Assurance Statement and the audit work carried out will contribute to this opinion. He added that the provision of the Internal Audit service is on an in-house basis by the Council's Internal Audit Unit and the resources available have been applied to individual audits and a detailed operational plan has been produced for 2023/34. Mr

Stainbank asked the committee to note that reactive work may impact heavily on the Internal Audit Unit's ability to complete the audit plan and contingency days are built in for 2023/24 in the investigations section. Mr Stainbank explained that during the year the plan will continue to be reviewed against the Council's risk environment and will remain flexible to emerging risks that may occur.

Councillor Trotter asked if there were things to be addressed from the follow up audits would members be informed as they emerged or would they need to wait for an update until the annual audit report was completed. Mr Stainbank confirmed that Internal Audit report as they go through the year and track and monitor the recommendations with the intention of coming back to committee when all the recommendations are due to be completed from the original report.

Councillor Jardine commended the clearly expressed assessment of risk and resources in the plan and felt there was a good way forward if any amendments needed to be made. In response to a question from Councillor Jardine about the cost of growth agenda Mr Stainbank stated it was not his place to report to the Scottish Government but instead they would be looking to establish how within the Council we have identified what the costs of growth are and where we are seeking to get funding from. Mr Stainbank added as always with audit work we do try to do some benchmarking across other Councils to see how controls are operating so this would be looked at as part of the audit. Douglas Proudfoot, Executive Director for Place explained there would be a report going to Council on the Regional Prosperity Framework which encapsulates this challenge and would give an opportunity to reflect on some of the challenges. He added he was looking forward to the outcome in terms of quantification from this audit and felt it was really important to articulate that to our partners and the Scottish and UK Governments. Mr Proudfoot stated this is a timely audit and he looked forward to making representation on clear figures coming forward through the process.

Councillor Jardine asked what compliant operational standards looked like in terms of Housing Void Management. Wendy McGuire, Head of Housing explained it was about balancing off and turning the voids around within targeted timescales as well as maximising rent recovery for those properties while meeting the SHR standard. Ms McGuire added that now felt like a good opportunity for this audit to take place as they are currently renewing the performance management framework for voids and the process has now been audited in five years. Ms McGuire stated she will liaise with Mr Stainbank to ensure they get the timing of the audit right.

Councillor Menzies thanked Mr Stainbank for his report and noted she was happy to see the high risks being prioritised. Councillor Menzies added that members would be happy to assist Mr Stainbank with anything he required and encouraged members to contact Mr Stainbank if they had any issues they would like to raise.

Decision

A roll call vote was carried out and the Audit and Governance Committee unanimously approved the Audit Plan for 2023/24.

4. ANNUAL AUDIT LETTER 2022/23

A letter was submitted by the Audit Director for Audit Scotland to provide members with an update on the 2022/23 audit of East Lothian Council and its group.

John Boyd, Audit Director for Audit Scotland explained he had been appointed as the Council's statutory auditor for the next five years during the recent appointments

process. Mr Boyd stated that due to delays in completing the 2021/22 audit, Audit Scotland's planning work only commenced over the last few weeks therefore they were not in a position to offer a detailed external audit plan so instead the submitted letter was a summary of the key aspects that Audit Scotland anticipate will be included within the plan. This will cover responsibilities under the financial statements audits and key areas of risk and focus as well as their wider scope responsibilities and duties in reporting the Council's progress in demonstrating best value. Mr Boyd anticipated having a detailed plan issued to members by the end of March and would propose presenting that to members at a later committee to allow the opportunity to discuss in more detail. Mr Boyd stated Audit Scotland are also proposing to deliver the audit in line with pre-covid delivery timelines with a target sign off date of September. Mr Boyd drew member's attention to the proposed fee for the year and noted it had increased from the previous year which was a reflection of a number of aspects including the general increase in the cost of delivering audits. Mr Boyd noted that in comparison to PSA who operate in England who have reported a 150% increase in fees, Scotland's increases have been managed. Mr Boyd confirmed Audit Scotland have proposed keeping the fee at the baseline fee of audit rather than apply any increases and at this time they have not identified any areas of risk or focus that should incur any additional costs. Mr Boyd added Rachel Browne, Senior Audit Manager was also present in the meeting and either of them were happy to answer any questions from members.

In response to a question from Councillor McLeod, Mr Boyd explained that the Audit Scotland fee is made up through component elements with the performance audit best value work being a centralised team who support audit teams to conduct best value work. He added that the controlled cost specifically identified to show how we report best value arrangements is taken separately from auditor remuneration. Mr Boyd explained that he is the person responsible for the delivery of the audit and he reports into the accounts commission then over the 5 years the annual audit report reporting will contribute to these reports.

Councillor McLeod asked if there had been any significant frauds found this year. Mr Stainbank advised there had not been but they would continue to investigate through the Council's whistleblowing policy and other areas in fraud investigation. He added there were two investigations ongoing currently but there was no indication at present of any significant fraud in either of these or any other previously investigated this year.

Councillor Menzies thanked Mr Boyd for a clear letter and looked forward to meeting him encouraging members to do the same so everyone can increase their understanding of what is expected of them and how best to utilise Audit Scotland to work together. Councillor Menzies noted the rising cost of the audit but understood there are rising costs everywhere at the moment.

Decision

Members agreed to note the paper.

5. COUNCIL IMPROVEMENT PLAN 2021-22 UPDATE REPORT

A report was submitted by the Chief Executive to present the Council Improvement Plan 2021-2022 update report to the Audit & Governance Committee.

Paolo Vestri, Service Manager – Policy, Improvement & Partnerships stated the submitted report was a final update on the Council Improvement Plan for 2021/22 which was approved by Council in February 2023. Mr Vestri asked members to note that throughout 2021 and most of 2022 the Council was operating in business continuity mode in response to the Covid-19 pandemic and that necessitated on

business critical activity and the reduction of non-critical activity which meant some delay in completing some of the actions in the plan. Mr Vestri explained the plan consisted of 16 actions, nine of which are completed fully, four are ongoing and three, actions four, five and seven will be carried forward to the new plan. Mr Vestri added that the next plan will be based on the outcome of the self-evaluation which the Council management team are undertaking soon and the outcome of the corporate government self-evaluation which will be completed in Spring. He added the Council Improvement Plan for 2023/24 will go to Council in June for approval.

Councillor McLeod asked if Mr Vestri was confident the remaining actions would be completed on time. In response Mr Vestri explained that action one and comments referred to the Council Workforce Plan and since it was last updated most of the actions have now been completed and those that weren't have been carried forward to the new plan which was approved by Cabinet in January 2023.

In response to a question from Councillor Jardine Mr Vestri stated the dates against the education performance improvements were related to the source of the action from the 2018-2022 Improvement Plan which was carried forward into the current plan as the education improvement policy is an ongoing priority and improvements will always try to be made. Mr Vestri explained the work would be taken forward through the education service progress and improvement plan which is reported regularly to the Education Committee as part of a rolling programme. Lesley Brown, Executive Director for Children's Services noted that the last Education Progress and Improvement Plan was presented to the November Education Committee and was approved. Ms Brown added that the annual statutory plan is submitted to the Scottish Government so every November Education Committee a progress report on the actions and the new plan with priorities for the coming year are provided.

Councillor Jardine asked to what extent in the new plan we could advise mental health awareness training being rolled out across all areas in a way that seeks to reduce stigmatisation. Mr Vestri stated a great deal of work had been done on this agenda by the Healthy Working Lives team as mental health and overall health and wellbeing of staff is a key priority within the new workforce plan and there are various actions within the plan relating to that so it is very much ongoing work with a lot of emphasis on supporting staff. Mr Vestri added the next Employee Engagement Survey would be rolled out in the next few months which will include questions around health and wellbeing with the outcomes of that will be reflected in future work related to the workforce plan. Councillor Jardine stated she is aware the stigma is still fairly substantial in some areas and it would be useful to reduce that. Mr Vestri noted that the Council has signed up to the See Me anti-stigma campaign so if any members have any examples of where staff are being stigmatised then he asked himself or HR to be made aware of it.

In response to a question from Councillor Jardine, Morag Ferguson, Head of Corporate Support explained that registers of interest are to be kept live and are not just something that are completed once and that's it. She added that any change to member's interests, appointments to organisations, change of employment, any buying or selling of property or interests in companies should all be updated immediately. Ms Ferguson noted that the committee's team send out two reminders per year for members to update registers of interest but the responsibility lies with members themselves. Councillor Jardine said she wanted to highlight that this committee does not just oversee officers but also all members.

In response to a question from Councillor Menzies, Mr Vestri explained that the proposal in the Council Plan 2021/22 to develop a community charter was never

completed partly due to the onset of Covid-19 which meant other priorities took over but also it was found that a lot of things that were going to be in the charter happened organically through the pandemic years as the community stepped up and helped to support and develop resilience in their community. Mr Vestri added that the new Council Plan was adopted a few months ago does not include a commitment to the charter but does include a commitment to community empowerment and partnership working and how this is implemented will be reported through the Council Plan which will happen on a regular basis. Mr Vestri noted that some of the Council Plan Top 50 Indicators will include indicators around the community empowerment and partnership agenda so members will be able to track progress with those. Mr Vestri reminded members they had a role to play in feeding back to officers if they felt the Council was not engaging fully and effectively with the community. He noted that the outcome of the local governance review is still outstanding but these results can be reflected on and then the agenda for community empowerment will be updated then members will have a role in approving and support that.

Councillor Menzies asked if we were fully engaged with Unions as we progress with the staff charter. Mr Vestri reported that the staff charter came out of the last workforce plan and trade unions were involved in discussions and what should be the charter. He added that trade unions were also consulted on the workforce plan which will be reported to the Joint Consultative Committee where trade unions have an active role.

In response to a further question from Councillor Menzies, Mr Vestri stated there were not any indicators in the Council Top 50 in relation to violence against woman and domestic abuse strategies but there were four indicators relating to this in the Recovery and Renewal Plan so as this is reported on members will be able to see any progress.

Councillor McLeod commented that Mr Vestri's report was clear and easy to follow and noted he attended the induction programme which opened his eyes to the courses available.

Decision

The Committee agreed to note the progress in achieving the Council Improvement Plan 2021-22 as detailed in the update report.

- 8. HEALTH & SOCIAL CARE PARTNERSHIP RISK REGISTER**
- 9. EDUCATION RISK REGISTER**
- 10. CHILDREN'S SERVICES RISK REGISTER**

It was agreed that item eight would be heard next as Laura Kerr, General Manager Planning & Performance from the Health and Social Care Partnership was unable to stay until the end of the meeting due to a prior engagement. As the risk registers are heard together, items eight, nine and ten would be heard together.

Reports were submitted by the Chief Executive to present to the Audit and Governance Committee the Corporate Risk Register for discussion, comment and noting.

Scott Kennedy, Emergency Planning, Risk and Resilience Officer explained that Very High risks are 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 is assured that adequate and effective control measures are in place;

medium risks are tolerable with control measures that are cost effective; and low risks are broadly acceptable without any further action to prevent or mitigate risk.

Health & Social Care Partnership

Mr Kennedy reported that the current Health & Social Care Partnership Risk Registered contained 8 High and 6 Medium risks. As per the Council's Risk Strategy, only the Very High and High risks were being reported to the Committee. Mr Kennedy and Ms Kerr were happy to answer any questions on the risk register.

Councillor Trotter asked how many new staff members were currently required and how many people were in training for these positions. Ms Kerr stated that she did not have the figures for training staff but there were figures for current staff vacancies. Ms Kerr added that the Health and Social Care Partnership has its own workforce plan which focuses on attracting staff to work in East Lothian instead of just NHS Lothian. Ms Kerr explained that in terms of social work, they have now started to support staff to take no that qualification to promote a "grow your own" approach to support staff into those vacant roles. Ms Kerr noted that the vacancies are particularly high within nursing band 5 roles. Councillor Trotter asked if Ms Kerr had the number of current vacancies or a target number to fill. Ms Kerr explained that the Health and Social Care Partnership report on their vacancies and there will be a certain number needed in hospitals within nursing and doctor roles and health and social care. Ms Kerr agreed to provide all members with these numbers but made them aware she was unable to provide the figures for social work.

Councillor Jardine asked if Ms Kerr had any initiatives for recruiting nurses that she would like members to promote wider. Ms Kerr thanked Councillor Jardine and explained significant promotional work had been done surround nursing roles and this would also be rolled out to homecare and social work roles. She added a number of videos had been made which she hoped members had seen but was happy to share directly as keen to get these out as widely as possible. Ms Kerr made members aware that the Health and Social Care partnership also attend high schools and Queen Margaret University to do recruitment events and this will be ongoing. Ms Kerr agreed to send the videos to members to share wider along with the figures of current vacancies.

Councillor Menzies noted she was pleased to see assertive outreach in primary care for substance use and misuse and that nurses were available but found this seemed to be aimed at opioid use in the main and wondered if there was any specific support for cocaine use as this had been a rising problem in the community, especially with young men. Ms Kerr agreed to send this information over to Councillor Menzies.

Councillor Menzies asked if there were any possible timelines on when existing facilities would be use for primary care at evenings and weekends and what actions the new East Lothian Safety and Justice Partnership sub group would be taking forward. In response to the second question from Councillor Menzies, Judith Tait, Head of Children's Services explained at the moment the group were separating what parts of the business would remain under the governance of public protection and what preventative work for East Lothian would sit within the sub group. Ms Tait added that they have a draft work plan for the group which would be finalised over the next 4-6 weeks.

Councillor Menzies asked if there had been any headway made on the care home placements for older people which had been restricted due to third sector recruitment and retention and if there was any information members could share in regards to

this. Ms Kerr agreed to send members the videos and completed recruitment work to share wider.

Education

Mr Kennedy reported that the current Education Risk Register held 6 High, 8 Medium and 1 Low risks. As per the Council's Risk Strategy, only the Very High and High risks were being reported to the Committee. Mr Kennedy made members aware of some corrections made from the original report and register; risk score for E1 was correct but coloured red when it should have been amber and was listed as very high in the report when it should have been high. Another exception was found which was not included in the update was risk E2 should be scoring 12 and not 10 as listed. Mr Kennedy, Ms Brown and members of the Education Management Team were happy to take any questions.

There were no questions or comments.

Children's Services

Mr Kennedy reported the current Children's Services Risk Register held 1 Very High, 3 High and 4 Medium risks. As per the Council's Risk Strategy, only the Very High and High risks are being reported to the Committee. Mr Kennedy and Ms Tait were happy to answer any questions.

Councillor McLeod asked how other authorities were getting to use East Lothian residents as carers and how is East Lothian Council unable to compete with this. Ms Tait explained that the scrutiny and assessment for new foster carers is standard across the country and it is not a quick process so timescales are no longer for this in East Lothian than anywhere else. Ms Tait added that a lot of people who lives in East Lothian foster for other local authorities or private companies and as she has spoken about before at Council meetings East Lothian has the challenge of competing with larger neighbouring authorities who have a significantly larger recruitment and comms budget. Ms Tait added that East Lothian is reaching out as much as possible to recruit new foster carers and have launched a new radio campaign but sadly this has not brought in any new carers yet. Ms Tait reported there are a whole range of issues but peoples finances and the cost of living crisis seems to have come into people's decision to foster but East Lothian Council are looking to make a cost of living payment to foster and kinship carers. Ms Tait noted that fees and allowances are complicated but these are under review. Ms Tait said national the number of people who are foster has declined with either new people not coming forward or people leaving it, part of this could be due to Covid and peoples resilience having reduced. Ms Tait added that East Lothian continues to look at how they can strengthen their offer to carers but it is very difficult as they often cannot compete with private companies who can offer more and it only takes a phone call for current carers to move to them. Ms Tait noted that it is important to keep current foster carers close and well supported but they are sadly always at the mercy of being poached.

Councillor Jardine stated she was sorry to hear about the lack of uptake from the radio campaign and commended Ms Tait for trying this. Councillor Jardine asked to what extent we have local actions on The Promise and how are these monitored and reported. Ms Tait explained The Promise has two key drivers, the first being to do more and better for our care experienced children in terms of improving their outcomes and overcoming barriers for them and secondly that our services are aimed at reducing the need for children to become looked after in the first place. Ms Tait stated she understood why people see social work as the natural home for The Promise but in fact a large part of the aim needs to be at services who are support

children before they reach the stage of requiring statutory social work intervention. Ms Tait explained that the appointed Promise Officer would be closely involved in a number of key work streams but in particular the Corporate Parenting Board and our Transforming Services for Children Programme and between those two structures is where we would be focussing our work and the progress of it within The Promise. Ms Tait stated The Promise is an enormous aspiration and can be quite cumbersome for people to be able to grasp and understand their role in it and where their service can fit so there is a job to do to translate the key messages into tangible actions for services that don't naturally see where they can contribute towards it but the commitment to early intervention across all Council services and looking to strengthen what that looks like will be one of our main ways to prevent children needing social work support and also by supporting their families. Ms Tait made members aware that East Lothian was one of three local authority areas chosen for element two funding for the Whole Family Wellbeing Fund which has been put to good use but pointed out this will not be a quick fix and instead are long term pieces of work but she was confident that they are working on the right things to be able to deliver The Promise but what gets in the way is the continual new asks that come forward. Ms Tait suggested a Members Briefing on The Promise could be done if this was thought to be helpful to clarify the best ways to take it forward. Councillor Jardine said it would be a really interesting prospect for a Members Briefing to consider what elected members can raise awareness of The Promise and added that she is keen to increasingly shift things upstream to do what we can as a preventative as the constant mitigating when things go wrong is very expensive.

Councillor Menzies thought a members briefing on The Promise would be really worthwhile as the more members know the more information they can share which will be beneficial for the children and young people of East Lothian.

Decision

The Audit and Governance Committee agreed to note the Health & Social Care Partnership, the Education and the Children's Services Risk Registers and in doing so noted:

- the relevant risks have been identified and that the significance of each risk is appropriate to the current nature of the risk.
- the total profile of the Health & Social Care Partnership, Education and Children's Services risks can be borne by the Council at this time in relation to the Council's appetite for risk.
- although the risks presented are those requiring close monitoring and scrutiny over the next year, many are in fact longer-term risks for Health & Social Care Partnership, Education and Children's Services and are likely to be a feature of the risk register over a number of years.

6. EAST LOTHIAN INVESTMENTS LTD

A report was submitted from the Company Manager of East Lothian Investments Ltd to inform the Audit and Governance Committee of the work undertaken by East Lothian Investments Ltd in 2021/22.

Richard Baty, Companies Manager ELI & ELL spoke to his report detailing the background of the company and the two main product offerings; interest free loan to start ups and existing businesses within the country and the delivery of the East Lothian Gift Card.

Mr Baty reported that in 2021/2022 12 applications for funding were received in the period, 8 were approved to the value of £99,300 which levered in private funds of £147,280. It is projected that 11 new jobs would be created and 10.5 jobs protected.

Mr Baty noted that as of January 2023 there are no loan defaults, 2 loan holidays are in place and 1 business entered into liquidation. The loan book has 43 active loans with an outstanding balance of £332,792.65.

Mr Baty reported that since the launch of the East Lothian Gift Card there has been a steady growth in sales with 137 businesses now accepting the gift card which offers good coverage across the county. Mr Baty noted the number of outlets has increased by 20 since the 2020/21 report which can be attributed to coming out of the pandemic and businesses reopening and starting up.

Councillor Jardine commented that in terms of lending ability the report showed a very impressive performance and thought it was worth highlighting the value of East Lothian Investments to the economic development of East Lothian. Councillor Jardine asked if Mr Baty had noticed a significant shift in what business support is required in light of Brexit, the pandemic and the cost of living crisis. Mr Baty stated that applications for loans had slowed down as had start-ups which was down to bank lending as a lot of uncertainty with the economic recession but since the Board meeting on the 1st of March he had received 8 new applications which was the most in the past 5 years. Mr Baty added the general view from companies is that they cannot get high street lending for various reasons.

Councillor McLeod asked how much debt there was currently, how this compare with high street banks and how do we recover it. Mr Baty reported that the cash amount of debt is exactly £79,000 from 23 different companies who have either ceased trading or went into liquidation and East Lothian Investments have exhausted all measures to recover the debt. Mr Baty explained that to put that into some context, East Lothian Investments will lend to start ups and existing businesses that struggle to get high street lending so it is high risk but in the same period they awarded 2.6 million to 255 companies which generated an arrangement fee of £130,000 which helped cover the bad debt. Mr Baty explained that ELI have a detailed debt management policy but it is important to remember they are here to help companies so they do allow payment holidays, extend loan payments and reduce loan amounts. Mr Baty noted that the low amount of bad debt is down to the Board of Directors, who are local people and business owners who are making the decisions to award the loans.

Councillor Trotter complimented the work of the organisation and asked how members are replaced when they move on. Mr Baty explained the Board has to be made up of 5 directors, 2 locally elected members and 3 private sector directors and when Mr Murray retired feelers were put out and that is how Louise Elder was identified as a good fit. Councillor Trotter asked if there can only be 5 members as it would be nice to have younger directors input into the Board. Mr Baty agreed to come back to Councillor Trotter with a definite answer to this.

Councillor Menzies commented there is a huge wealth of experience on the Board but she would like to see more of a gender balance and wondered how that would be navigated going forward as well as the balance of having younger members with business experience. Councillor Menzies complimented the excellent report and would be interested to see more information on the specific businesses that are supported by ELI. She asked if there was any ongoing work to encourage businesses to join the East Lothian Gift Card scheme. Mr Baty reported that the company are launching a Young Entrepreneur Prize Award this year of £1500 for young

entrepreneurs under 21 and applications will be opening this month. Mr Baty added that in regards to the EL Gift Cards, a new staff member Devon Taylor will be going round various towns including Tranent and Musselburgh to encourage retailers to sign up.

Decision

The Committee agreed to note the contents of the report.

7. INFORMATION GOVERNANCE ANNUAL REPORT

A report was submitted by the Executive Director for Council Resources to report on the delivery and continuous improvement of East Lothian Council's compliance with regulatory regimes relating to Data Protection, Information and Records Management, and the Regulation of Investigatory Powers over 2022.

Zarya Rathe, Team Manager for Information Governance stated this was the first Information Governance report of this kind to this committee and provided an overall summary and update of key events and progress in 2022 of matters relating to compliance. Ms Rathe asked members to note the contents of the report and highlight any areas for further action or consideration.

Data Protection

Ms Rathe reported new measures were introduced in 2018 to support compliance with the new Act and GDPR. In 2022 these measures were subjected to their first assessment by the Council's Internal Auditors who found reasonable assurance overall. Multiple points of good practice were noted as well as some recommendations for improvement. In 2022 there were 78 data incidents, 54 of which were data breaches and 24 near misses with 3 considered to meet the likely risk threshold for reporting to the Information Commissioners Office. Ms Rathe noted in all 3 cases the ICO found the Council had appropriate technical and organisation measures in place and no further action was taken. Ms Rathe highlighted the recommendations from the ICO and Internal Audit and the planned actions for 2023.

Records Management

Ms Rathe reported that East Lothian Council's current Records Management Plan was approved in 2015 and ELC have actively participated in an informal review on an annual basis since then. Ms Rathe explained the Council Management Team have recently given approval to contract out all storage, retrieval and destruction services for paper records which will bring significant improvements and additionally the Council are in the early stages of implementing Microsoft 365 which will see significant improvements in the management of digital information assets. Ms Rathe stated in 2023 work will be ongoing to implement improvements and ensure these are reflected in the Council's Records Management Plan.

RIPSA

Ms Rathe reported the Council had made limited use of its RIPSA powers and no applications had been made in 2022. In February and March 2022 the Council underwent a desktop inspection by the Investigatory Powers Commissioners Officer which was positive overall. Ms Rathe highlighted the recommendations from this inspection and the planned actions for 2023.

Councillor Ritchie asked if there were any updates on the planned actions and would these be reported on annually or would interim updates be given. Ms Rathe stated a full update would be given in next year's report however as many actions were already in progress they would be updated on an ongoing basis. Ms Rathe added

that if members wished to hear from herself and her team more frequently then she would be happy to provide this.

In response to questions from Councillor McLeod Ms Rathe explained that substantial assurance would always be her goal but acknowledged that in terms of data sharing agreements they were not at the stage they wanted to be in clearing back logs which is part of the reason the new Team Leader post had been created. In regards to Councillor McLeod's second question Ms Rathe explained it was very unusual to have a declined data sharing agreement but it was the Council who made the decision to decline, not something the Council had written that was declined by another party. Mr Stainbank reported that in terms of the reasonable assurance given was part of the audit report submitted to committee in November 2022 which has completion dates for June 2023 so he would hope to bring a follow up review to the September committee on that. He added that if all actions have been completed then this could move to substantial assurance.

Councillor Jardine asked Ms Rathe to explain the link between the planned actions in table 3.17 and the wider actions across Council. Ms Rathe stated that the communications training plan was a push action for her team to ensure messages were communicated widely throughout the Council. Ms Rathe added that most data breaches were to do with incorrect email addresses being entered and this is not something that can be legislated so everyone needs to ensure they are taking the time to enter these correctly. Councillor Jardine said she would be keen to come back to this in the future.

Councillor Menzies asked if recommendation 3 within the IPCO letter had been actioned now and if she felt officers were complying with recommendation 5. Mr Rathe stated that recommendation 3 had been fully updated she was happy officers were complying but as there had been no applications in 2022 she was unable to gauge that. Ms Rathe added that there would be more work to do to raise awareness more widely through the Council.

Decision

The Committee agreed to note the contents of the report.

11. INTERNAL AUDIT REPORT ON SYSTEMS & DATA BACKUP AND RECOVERY TESTING

A report was submitted by the Service Manager for Internal Audit to inform the Audit and Governance Committee of the recently issued Internal Audit report on Systems & Data Backup and Recovery Testing.

Decision

The Audit & Governance Committee agreed to note the contents of the Internal Audit report on Systems & Data Backup and Recovery Testing.

Signed

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Councillor Lee-Anne Menzies
Convener of the Audit and Governance Committee