

REPORT TO: Audit and Governance Committee

MEETING DATE: 26 March 2024

BY: Companies Manager – East Lothian Investments Ltd

SUBJECT: East Lothian Investments Ltd 2022/2023

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the work undertaken by East Lothian Investments Ltd in 2022/2023.

2 RECOMMENDATIONS

- 2.1 That the Audit and Governance Committee note the contents of the report.

3 BACKGROUND

- 3.1 East Lothian Investments Ltd (ELI), formerly East Lothian Economic Development Company (SC187674) - was formed in April 2001 by East Lothian Council (ELC) following the disaggregation of the Lothian Enterprise Board (LEB).

- 3.2 The aforementioned disaggregation resulted in the transfer of equity stakes in 5 East Lothian companies which, under local authority governance rules, ELC could not accept hence the requirement to form a company to take ownership of the shareholding.

ELI Ltd developed and implemented exit strategies for the investments and used the funds generated as an instrument for the development of the business base and therefore economy of East Lothian.

- 3.3 This instrument took the form of interest free loans to start-ups / businesses based within the county of East Lothian. The ceiling for loans in 2022/2023 was £25,000 although this is discretionary and a higher level could be awarded depending on economic benefits / job creation. Loans are repayable over a period of up to 60 months with an arrangement fee in 2022/2023 of 5% of the loan award to cover company overheads.
- 3.4 The company has a board of 5 directors comprising of the Leader of the Council, Economic Development spokesperson, and three private

industry sector representatives. The board act on a “*Pro Bono*” basis and do not receive payment.

Governance

- 3.5 ELI is fully authorised and regulated by the FCA. A Compliance Monitoring Document (CMD) (Appendix 1), regulatory business plan, and a suite of policies are in place.
- 3.6 During the year 2022/2023, Richard Baty was the Companies Manager and was the FCA approved person and Senior Manager under the FCA Certification Regime. The Companies Manager is supported by the Economic Development Business Development assistant.
- 3.7 The Companies Manager acts as the Company Secretary.
- 3.8 Board meetings are held on a regular basis linked to the level of loan applications. The CMD and relevant policies are reviewed and updated at each board meeting as per FCA requirements. Decisions made to award loans, the level of award and repayment period are taken by a majority with the Chair having the casting vote on any tied decision.
- 3.9 Minutes of board meetings are taken and approved at subsequent board meeting by the Chair.
- 3.10 East Lothian Investments Ltd is audited by Greaves West & Ayre (newly appointed during the period to March 2023). End of Year accounts are approved by the Board and signed off accordingly and provided to ELC. The company use Xero accounting cloud software.
- 3.11 As per FCA requirements, ELI is required to report annually on the following: - Complaints, Financial Data, Lenders, Volumes and Company organisation.
- 3.12 The company has an interest bearing and two chequing accounts with the Royal Bank of Scotland. Legal advice is provided by Addleshaw Goddard, Edinburgh.
- 3.13 Post period note: The Companies Manager in post during 2022-23 retired in June 2023. Lisa Deegan was recruited into the role in July 2023 with the relevant application made to replace the prior incumbent as ELI’s approved person and Senior Manager under the FCA Senior Manager Certification Regime.

Overall Lending

- 3.14 Since formation ELI has awarded and paid 378 loans to the value of £3,525,100 which has levered in private investment of £20,831,687. The lending created 896 new jobs and protected 1,869. Loans are unsecured but for limited companies personal guarantees may be taken if the board requests. The level of bad debts written off for the period commencing from 2009 stands currently at 2.91%.

2022/23 Lending Activity

- 3.15 17 applications for funding were received in the period – 13 were approved to the value of £210,300 which levered in private funds of £293,436. It is projected that 22 new jobs will be created and 43 jobs protected.

Sectors awarded:-

Retail – 2
Food and drink – 3
Tourism – 1
Business Services – 5
Manufacturing – 2

- 3.16 As at March 2023, the loan book had 27 active loans with an outstanding balance of £387,447.

East Lothian Gift Card - Background

- 3.17 The ELI board agreed in July 2018 to launch and deliver the East Lothian Gift Card on behalf of ELC. This was based on the successful Christmas Shop local programme run by ELC Economic Development for 10 years with the aim to keep spend local.
- 3.18 The gift card is based on a money card which is presented to participating businesses that swipe through their credit / debit card terminal and are paid instantly. There is no cost to the business for participation in the initiative.
- 3.19 A supplier of gift cards was identified (Miconex) and website created <https://eastlothiangiftcard.co.uk/>. The frontend website is supported by substantial back office management systems for card loading, electronic money transfers, financial control and audit requirements.
- 3.20 The initiative, which is year-round was launched in October 2018 and in 2022/2023 was delivered by the Companies Manager, the Business Development Assistant and Economic Development Administrator.

Outputs

- 3.21 There have been £192k of gift card scheme purchases since the scheme started. 3.22 *Post period note – in April 2023, ELI Ltd terminated the original contractual agreement with Miconex, which was coming to term, and transferred the scheme to ELC. Breakages on historic cards are retained in ELI Ltd.*

4 POLICY IMPLICATIONS

- 4.1 None.

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

6 RESOURCE IMPLICATIONS

- 6.1 Financial – none.
- 6.2 Personnel - Companies Manager, Economic Development Business Development Assistant and Administrator.
- 6.3 Other – none.

7 BACKGROUND PAPERS

- 7.1 2021/22 report to the Audit and Governance Committee in February 2023.

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DATE	18 March 2024

Appendix 1 – Compliance Monitoring Document

Policy / procedure	Board approved date	Responsibility to the Board	Next review date
FCA Compliance Manual	Aug-15	Companies manager	Ongoing
Compliance Monitoring document	Jun-15	Companies manager	Ongoing
Business Continuity Plan	Aug-22	Companies Manager / ELC	Aug-23
Debt Management policy incl. letters	Aug-22	Companies manager	Aug-23
Loan application form	Aug-22	Companies manager	Aug-23
Loan statements to clients (XERO)	Aug-22	Companies manager	Aug-23
Data Protection policy - GDPR	Oct-22	Companies manager	Aug-23
GDPR Privacy policy	Oct-22	Companies manager	Aug-23
GDPR Retention & Record keeping policy	Oct-22	Companies manager	Aug-23
Complaints policy	Aug-22	Companies manager	Aug-23
Anti-Money Laundering policy	Aug-22	Companies manager	Aug-23
Anti-Bribery Policy	Aug-22	Companies manager	Aug-23
Audit compliance Policy	Oct-22	Companies Manager / ELC	Aug-23
Personal guarantee document / letters	Oct-22	Companies Manager / ELI Lawyers	Aug-23
Conflicts of interest policy	Oct-22	Companies Manager / ELC auditors	Aug-23
Lone working policy	June 2019 (ELC)	Companies Manager / ELC	Aug-23
Senior Manager and Certification regime	Dec-22	Companies manager	Aug-23
Statement of responsibility	Dec-22	Companies manager	Aug-23
Certification of employees	Jan-22	Companies manager	Aug-23
Operational resilience plan	Aug-22	Companies manager	Aug-23
Cancellation policy	Oct-22	Companies manager	Aug-23
Regulatory Business Plan	Oct-22	Companies manager	Aug-23
Guidance to loan applicants	Aug-22	Companies manager	Aug-23
Personal Statement form	Aug-22	Companies manager	Aug-23
Director induction	Dec-22	Companies manager	Aug-23
Director induction checklist	Dec-22	Companies manager	Aug-23
Director skills gap matrix	Dec-21	Companies Manager	to be reviewed at recruitment