



SOUTH of
SCOTLAND
ENTERPRISE

Annual Report & Accounts

1 April 2022 –
31 March 2023



Photo: Visit Berwickshire
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South of Scotland Enterprise Act 2019
Accounts of the South of Scotland Enterprise (SOSE) are prepared pursuant to section 15 of the South of Scotland Enterprise Act 2019, for the year 01 April 2022 to 31 March 2023. Together with the independent auditor's report to the members of SOSE, the Scottish Parliament and Auditor General for Scotland.



Performance Report

Chair & Chief Executive's Foreword

We are delighted to present our third annual report and accounts, which gives you a comprehensive overview of South of Scotland Enterprise's activities during the 2022/23 financial year.

Our report highlights the breadth of businesses, social enterprises, communities and people we have worked with in the South of Scotland, as we continue to work collaboratively to drive forward the ambitions of our fantastic region.

This included assisting more than 1,100 enterprises through our funding, programmes, tailored support and advice.

This support included investing £16.0million into 139 of our region's businesses, social enterprises and community groups, safeguarding 591 jobs, and creating 562 jobs.

We are consistently impressed by the enterprising communities and innovative industries we meet across the South. We are leading the way in many areas such as Net Zero and Natural Capital, making our region an even more attractive place to come to invest in, work in, live in and learn in.

We are fully committed to continuing to build upon this success, using the diverse skills, knowledge, talent and passion of our staff and Board - Team SOSE.

To do this, we will continue to bring local and other people together, to listen to them, and work with them to realise the immense potential we all know the South of Scotland has. Doing this will help us all achieve more and amplify our distinctive regional voice.

Through ongoing collaboration with our partners and the wider population, we aspire for the South of Scotland to move closer to becoming a Wellbeing Economy, prioritising the collective wellbeing of current and future generations.

This collaborative approach includes the proactive role we play in the South of Scotland Regional Economic Partnership, as well as supporting the Scottish Government's National Strategy for Economic Transformation.

Our first Five Year Plan, published in April 2023, provides a clear set of priorities for SOSE, and how we will work with you – the people of the South of Scotland – to achieve them, with the ultimate aim of making your day-to-day lives better.

By us all having this shared ambition and belief, we can show the world what a special, stunning and diverse place the South of Scotland is, and how much we have to offer.

As always, our message to anyone who may have an idea or needs support is – get in touch with us. Our support is tailored to you, and we are here to listen.

Professor Russel Griggs OBE
Chair, South of Scotland Enterprise

Jane Morrison-Ross
Chief Executive, South of Scotland Enterprise



Professor Russel Griggs OBE
Chair, South of
Scotland Enterprise



Jane Morrison-Ross
Chief Executive,
South of Scotland Enterprise

Overview: About SOSE

Who we are

We - South of Scotland Enterprise or SOSE for short - have been set up to bring a fresh and regionally focussed approach to economic and community development in and for the South of Scotland. Covering Dumfries and Galloway and the Scottish Borders, our focus as a public body is to help people, communities and enterprises in our region to thrive, grow and fulfil their potential.

We are here because the Scottish Government recognised that a dedicated agency was needed in the South of Scotland to address the distinct situation of our mainly rural region. We were established through legislation, the South of Scotland Enterprise Act 2019, assuming our powers and launching on 1 April 2020.

We know that across 2022/23, those who we serve have been confronted with challenging economic conditions. We equally know that the future of our region is more than bright, having witnessed extraordinary creativity, resilience and innovative thinking in the South's enterprises and communities in the way that they have responded to recent challenges and also the opportunities that they have seen.

We have sustained our constant focus on supporting businesses and communities in the South of Scotland to adjust to the prevailing economic impacts while also looking to the future too. We have built on our extensive Engagement Tour in 2021/22 to develop our Five-Year Plan, setting out our strategic priorities for 2023-28. Our Five-Year Plan is a critical document for our organisation, and we hope, also a critical document for all our partners, making clear where we will focus our efforts across the next five years, ensuring we are well placed to play our part in realising the regional vision for a Greener, Fairer and Flourishing South of Scotland by 2031.

Our management structure remains largely unchanged, although as with any developing organisation, it has been flexed to strengthen it where opportunities have presented. One such example includes having acted to bring our Entrepreneurship & Innovation, Fair Work and Natural Capital work together alongside our Net Zero focus in one directorate. This enhanced structure will help us to drive forward climate and nature-based solutions via an entrepreneurial approach, including utilising our natural capital and bringing meaningful investment and employment into the South.

Our aims

Our AIMS, as set out in legislation, are to further the sustainable economic and social development of the South of Scotland and to improve the amenity and environment of the South of Scotland.

Our vision

Our VISION is to create Success, increase Opportunity, lead a sustainable and just transition to Net Zero and advance Equality.

Our mission

Our MISSION is to bring people together across the South of Scotland and work in partnership with them to further the region's economic and social development and to improve its amenity and environment. We will provide expertise, mentoring and investment to people, enterprise and communities. We lead the way in thinking bigger, doing things better and unlocking the great potential of the South.

Our values

Our VALUES are at the heart of all we do. We will be: Inclusive; Responsible; Bold; and Striving.

Our board

Our Board has a broad range of knowledge and experience and is chaired by Professor Russel Griggs OBE, with the organisation led by Jane Morrison-Ross, Chief Executive.

“for the South, by the South and in the South”

We are SOSE!

We continue to promote who we are and what we do through a wide range of channels and activity.

In October 2022 we launched our restructured website at www.southofscotlandenterprise.com to highlight our brand and make us more accessible. The redesign of our website supports our vision to be bold, inclusive and ambitious, aiming to provide customers and clients with a seamless customer journey.

We launched the 'We are SOSE!' campaign this year across local press, and social media to amplify our message through the voices of our own staff.

“We are here to support, develop and drive impact and growth to help businesses and communities in the South of Scotland to flourish”

Jordan Yardley
Data Analyst



“We are passionate about our roots and heritage and want to help create longer lasting sustainable communities”

Lisa Denham
Community
Development Advisor



“We can help you build a sustainable future for your business and community with Fair Work and Net Zero solutions”

Colin Banks
Net Zero Strategy Lead



“Whether you are a start up business or looking for innovative ways to take your business to the next level of success, we can help”

Kenny Patterson
Communications &
Marketing Officer



Scan the QR code to watch [our We are SOSE! campaign video](#):



WE ARE SOSE!

What our clients and partners have said this year...

“The Net Zero team at SOSE have been a clear and vocal advocate and we are delighted to continue our collaboration to make these Net Zero ambitions a reality.”

Ed Nimmons, Co-owner of Carbon Capture Scotland

“SOSE has been an incredible support, and without them, I don't think this bakery would exist.”

Rachel Parker, CEO, The Frangipane Bakery

“We welcome the support from South of Scotland Enterprise, Creative Scotland and Scottish Borders Council, not just financially, but in recognising the importance and power of networks in supporting a diverse and dynamic creative sector in the region.”

Mary Morrison, Arts & Creativity, Live Borders

“SOSE has been instrumental in helping us grow our business. Their advice and guidance throughout the expansion process has been invaluable.”

Lorraine Galloway, Wigwam Holidays Wigtown

“We are very grateful for SOSE's support in developing Cocoa Black's marketing strategy for our new range of boxed chocolates. The work has brought much needed clarity over where we should be focussing our efforts over the next 12 to 24 months.”

David Hinks, Director Cocoa Black

“SOSE have been hugely supportive of the work we do with children and young people and they have been an invaluable source of advice and support over the past couple of years.”

Dave Hodson, Locality Manager, Tweeddale Youth Action

“By joining forces with SOSE, who are already doing fantastic work in supporting the area, I'm confident we will do great work together.”

Iain Gulland, Chief Executive, Zero Waste Scotland

“With support from SOSE, we believe the new facility will take our business forward, help us expand our dedicated team and continue to positively contribute to the circular economy.”

Roy Hiddleston, Managing Director of Solway Recycling

Performance Overview

2022/23 was SOSE's third year of operation, and represented a continuing period of growth and development as we expanded our capabilities and service offering for the South of Scotland. Following a successful engagement tour in early 2022 where we heard from almost 750 people across the South, we are confident that our actions this year have responded to the needs and opportunities present in our region – as well as delivering progress aligned to wider Scottish priorities. We delivered our support against a backdrop of economic turbulence, including the ongoing energy, cost of living and cost of doing business crises, helping clients to navigate this challenging period whilst continuing to ensure a focus on a just transition to Net Zero and Fair Work in their organisational priorities and future plans.

In March 2023 we launched SOSE's first Five-Year Plan, setting out our direction and priorities for the years ahead and associated performance measures – which we will use to report our performance in future years. For 2022/23, we have reflected on our performance in the context of the three priorities we established in our 2022/23 Operating Plan:

- Supporting Economic Recovery and Resilience
- Driving Change and Influencing Others in Action
- Developing Our Offer

This section provides an overview of our performance across 2022/23 in headline terms, with the ensuing sections providing greater detail and demonstrating the true breadth of our efforts in response to each of our priorities.

Supporting Economic Recovery and Resilience



assisting more than **1,100 enterprises** through our funding, programmes, tailored support and advice



investing **£10.5** into **139** of the South's businesses and communities, safeguarding **591** jobs and creating **562** more



investing **£5.4m** in **strategic activities** to transform our region

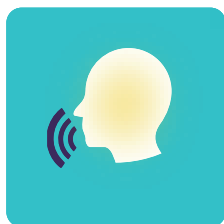


initiating **new programmes** to drive **entrepreneurship** and **accelerate a just transition to Net Zero**



supporting **63 organisations** to navigate the energy and cost crises, working closely with partners such as Business Energy Scotland

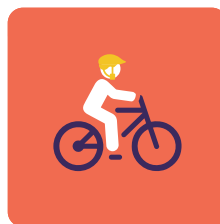
Driving Change and Influencing Others in Action



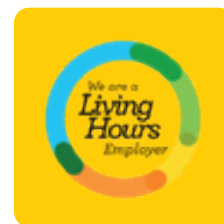
responding to **18 national consultations** to ensure the South's voice is heard on important national issues



launching our **Digital Strategy** to support enterprises in the South of Scotland to harness the opportunities afforded by digital



launching a **10-year South of Scotland Cycling Partnership Strategy** with regional partners to ensure the South becomes Scotland's leading cycling destination



becoming the **South of Scotland's first accredited Living Hours employer**, setting the standard for providing security of hours alongside a real Living Wage

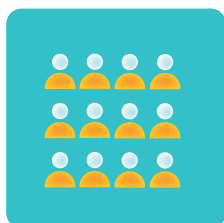


hosting the **region's first hydrogen brokerage event** to demonstrate the South's potential as a leader in Green Hydrogen production



becoming a **Silver-accredited Carbon Literate Organisation**, recognising our work to promote carbon literacy across the region

Developing Our Offer



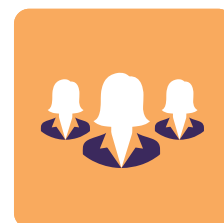
expanding our Net Zero Directorate to increase our capacity to accelerate Net Zero and nature-based solutions for the South



joining forces with **Converge** to identify and nurture **entrepreneurial talent** across our region's education institutions



partnering with **Zero Waste Scotland** to accelerate the South of Scotland's **circular economy ambitions**



hosting nine **Women in Business events** for over 200 female entrepreneurs and business owners



appointing **Equality Ambassadors** across the organisation who will ensure we are considering Equality, Diversity and Inclusion in everything that we do

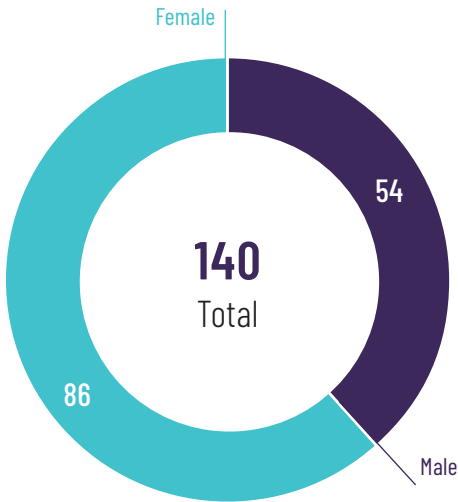


redesigning the SOSE website to reflect the SOSE vision and aiming to provide customers and clients with a seamless customer journey

Make up of our employees at 31 March 2023

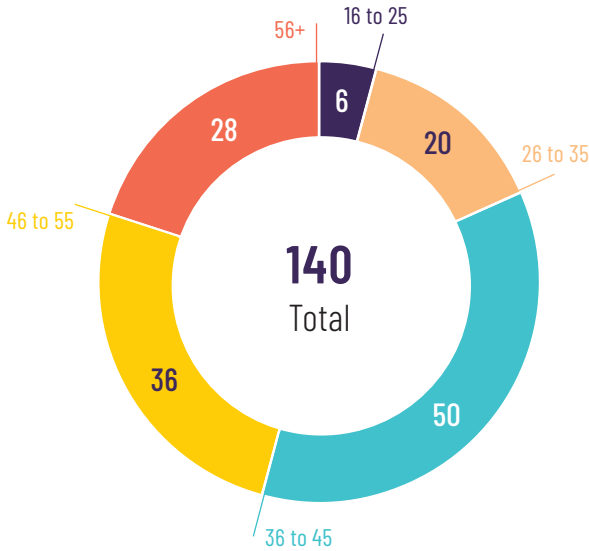
Gender Split

Our gender split is:



Age Distribution

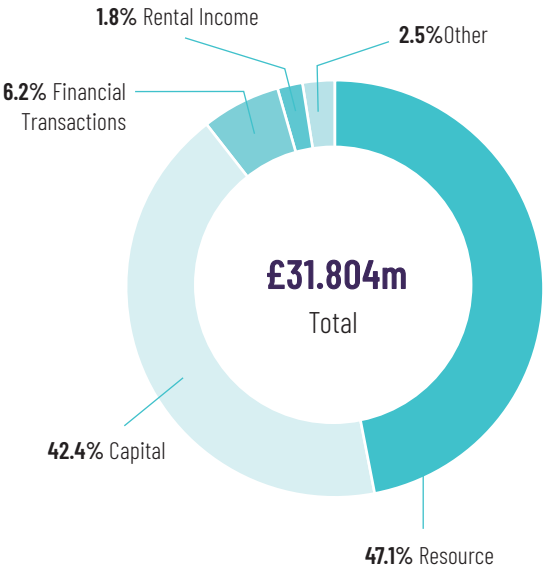
Our age distribution is:



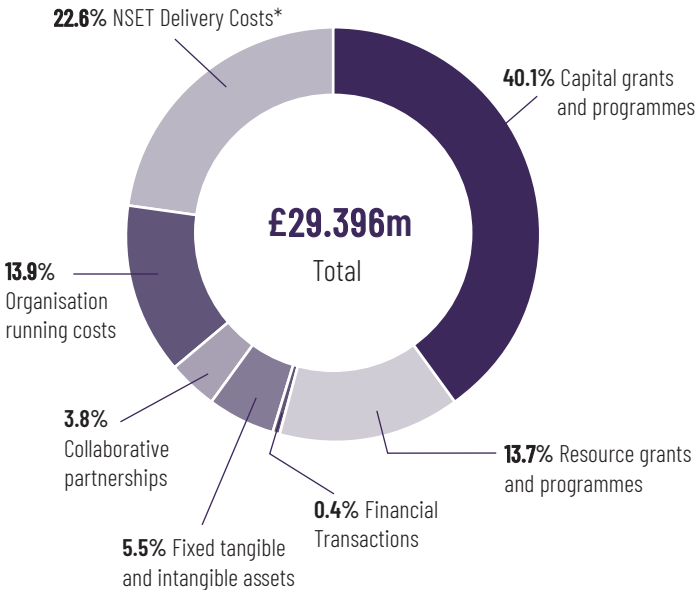
Summary of financial performance

The graphs below detail the income and expenditure, reconciling to cash elements of the Outturn Summary on page 75 (Departmental Expenditure Limits and Financial Transactions). Income includes Grant in Aid from Scottish Government as well as other sources, these are detailed within Note 3 of the accounts, page 100.

Income



Expenditure



* Note - SOSE staffing costs to deliver NSET - breakdown shown page 13

Performance Analysis

Supporting Economic Recovery and Resilience

This year, our annual strategic guidance letter from the Scottish Government asked us to focus effort and resources on delivering the actions and benefits of the National Strategy for Economic Transformation (NSET). It also asked us to enable and support our clients to plan for and take action to contribute to a just transition to Net Zero and on embedding Fair Work practices across their organisations.

To support the ambitions of NSET we took the strategic decision to allocate SOSE's budget according to the NSET's key programmes of action:

- Entrepreneurial People & Culture
- New Market Opportunities
- Productive Businesses & Regions
- Skilled Workforce
- A Fairer & More Equal Society, and
- A Culture of Delivery

These programmes align closely with the six themes in the South of Scotland Regional Economic Strategy.







This means that, for every investment that we made, we considered the benefits it would bring to the people and places in the South of Scotland and the contribution it would make to Scotland's national ambitions for success. In total, we invested £16.0m into the South's enterprises and projects and to support other strategic activities for the region.

Our funding is one part of the assistance that we have available to develop our region: this year we also expanded the range of support available to local entrepreneurs, businesses and community enterprises as well as continuing to offer one-to-one engagement, advice and support to enable clients to take forward their priorities and plans. This year, we assisted more than 1,100 enterprises through our funding, programmes, tailored support and advice.

In 2022/23 our region also felt the effects of the war in Ukraine and the energy, cost of living and cost of doing business crises. In line with other Enterprise Agencies, we reviewed our client portfolio to ensure our funding and support adhered to guidance on Russia sanctions and updated our own relevant policies and processes. We took a proactive approach to supporting enterprises across the region to respond to the energy and cost crises through gathering and sharing intelligence, providing advice and guidance and facilitating referrals to energy support.

Supporting the National Strategy for Economic Transformation

In the first year of delivery of the National Strategy for Economic Transformation, our activities made a significant contribution to its key programmes of action, in particular Productive Businesses and Regions and New Market Opportunities.

NSET programme of action	Funding to Enterprises, Projects and Strategic Activity				NSET Delivery Costs	
	Capital	Resource	Financial Transactions	Total		
Entrepreneurial People & Culture						
	Establish Scotland as a world-class entrepreneurial nation founded on a culture that encourages, promotes and celebrates entrepreneurial activity in every sector of our economy	£1,967,355	£791,375	£0	£2,758,730	£1,662,186
New Market Opportunities This includes £471,147 of funding from the Scottish Government's Green Jobs Fund*						
	Strengthen Scotland's position in new markets and industries, generating new, well-paid jobs from a just transition to Net Zero	£1,955,095	£1,795,140	£0	£3,750,235	£1,662,186
Productive Businesses & Regions This includes £328,853 of funding from the Scottish Government's Green Jobs Fund*						
	Make Scotland's businesses, industries, regions, communities and public services more productive and innovative	£7,132,571	£1,016,997	£35,000	£8,184,568	£1,662,186
Skilled Workforce						
	Ensure that people have the skills they need to have rewarding careers and meet the demands of an ever-changing economy and society, and that employers invest in the skilled employees they need to grow their businesses	£268,921	£103,327	£82,500	£454,748	£664,874
A Fairer & More Equal Society						
	Reorient our economy towards wellbeing and Fair Work	£519,661	£287,949	£0	£807,610	£664,874
A Culture of Delivery						
	Support and manage the overall delivery of the NSET by the public sector and its partners	£0	£31,134	£0	£31,134	£332,437
Total		£11,843,603	£4,025,922	£117,500	£15,987,025	£6,648,743

*Note: The Scottish Government's Green Jobs Fund is a five-year and up to £100m capital fund (from year 2021), which will support businesses and their supply chains to help them better transition to a low carbon economy. The support provided by the fund aims to create green employment through investment in equipment, premises, research and development.

Support for businesses

Through our funding this year we supported 83 businesses with a wide range of projects to deliver innovation and new product development, business expansion and efficiency and productivity improvements. We focused on supporting clients to develop for the future, representing a shift in focus from previous years, where we continued to invest significant effort in supporting businesses to survive and then to sustain and recover post-COVID 19.

As a result, the number of jobs we supported this year is lower than previous years, however we are confident that we are helping our clients and the region position for growth in the future.



CASE STUDY

MacRebur

NSET Theme: New Market Opportunities

MacRebur utilise waste plastic materials that are destined for landfill or incineration and reprocess them into sustainable polymer mixes for the asphalt industry where it is used for road surfacing. The company operates in over 30 countries with headquarters in Lockerbie, Dumfries & Galloway. Currently the polymer mixes are weighed and added by hand when asphalt is being batched at the point of use. This restricts the potential market and is blocking expansion in several key markets. SOSE is supporting MacRebur with a £49,000 grant for a research and development project to develop a universal system to address this challenge. Every one ton of product sold is a ton of unrecyclable plastic diverted from landfill and a ton less aggregates required. Within 12 months this project will result in an additional 3,500 tonnes of plastic avoiding landfill. By displacing normal binding materials, it will save 5,250kg of CO2(e).

Support for enterprising communities

Through our funding this year we supported 56 community organisations to plan and develop community-owned assets, expand their enterprising activities and support local community-led place-based development.

This included an ongoing focus on supporting Priority Communities with early-stage capacity building support and funding to help drive economic development through identifying and progressing enterprising community activities that have potentially sustainable revenue streams.

2022/23	£4.3m	56	£3.5m	9	63
2021/22	£5.1m	66	£3.9m	148	79
2020/21	£1.9m	21	£1.7m	102	46
	Total investment in communities within the region	Number of community projects supported	Investment in capital assets and projects	Number of jobs safeguarded by our investment and support	Number of jobs created by our investment and support



CASE STUDY

Priority Communities

NSET Theme: Productive Businesses & Regions

Following successful support to Priority Towns and Communities in previous years (including Langholm, Galashiels, Jedburgh and Hawick), SOSE continued to provide funding to Priority Communities in 2022/23. The purpose of Priority Community funding is to assist community anchor organisations to take forward place planning activities and develop enterprising community activities that have potentially sustainable revenue streams. This year we provided £120,000 to Kirkconnel and Kelloholm Development Trust and Stranraer Development Trust to support key elements in each of these early-stage projects. Equally as important as the funding provided, SOSE also contributed significant staff time and resource to support and enable partnerships, to build trust, and encourage shared vision and collaboration to bring those involved in the community together.



CASE STUDY

Lockerbie Community Wellbeing and Enterprise Centre

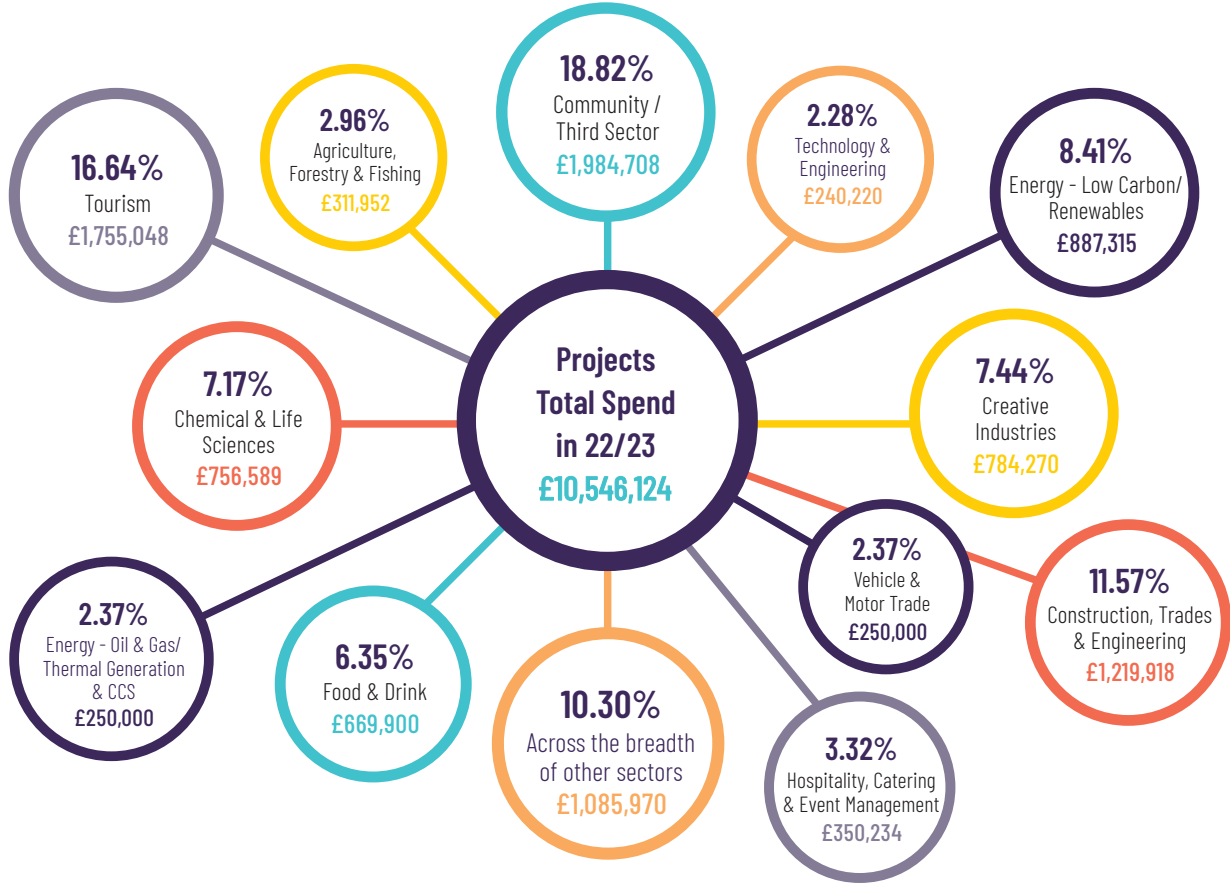
NSET Theme: A Fairer & More Equal Society

The Lockerbie Old School project will refurbish the 145-year-old 'Lockerbie Old School' building to create a new Community Wellbeing centre and eight new flats to provide bespoke assisted living accommodation. The project is led by the community, working closely with Cunninghame Housing Association as a key partner in the project: a good example of collaboration between the Third, Public and Private sectors.

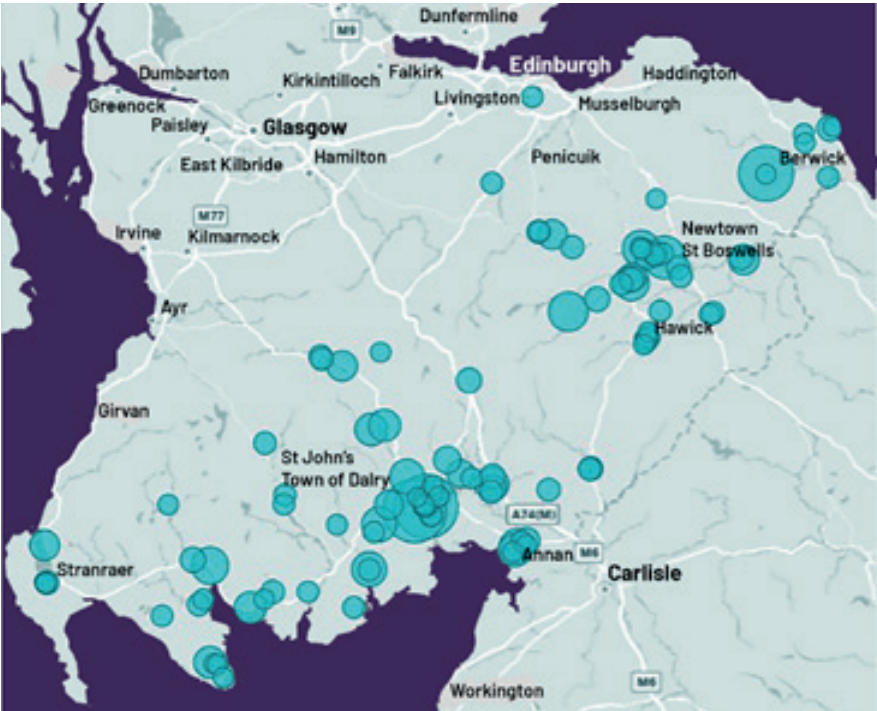
The Centre will provide a range of flexible and adaptable spaces for the whole community, offering a full programme of activities including business start-up courses, as well as spaces for innovation, health and wellbeing activities, art and culture and much needed meeting room space. The flats will provide new homes for local people supported by Turning Point Scotland. This year SOSE committed £1.2m to support the project, which also secured a substantial award from the Scottish Government's Regeneration Capital Grant Fund to complete its funding package and move the project forward.

Sector breakdown of projects funded during 2022/23

We are committed to promoting the economy in its widest sense- championing the regions communities, people, environment and jobs. we supported clients and projects across a breadth of sectors that matter to the South of Scotland. Sectors that were strongly represented are Community/Third Sector, Tourism, Construction Trades and Engineering and Energy - Low Carbon/Renewables.



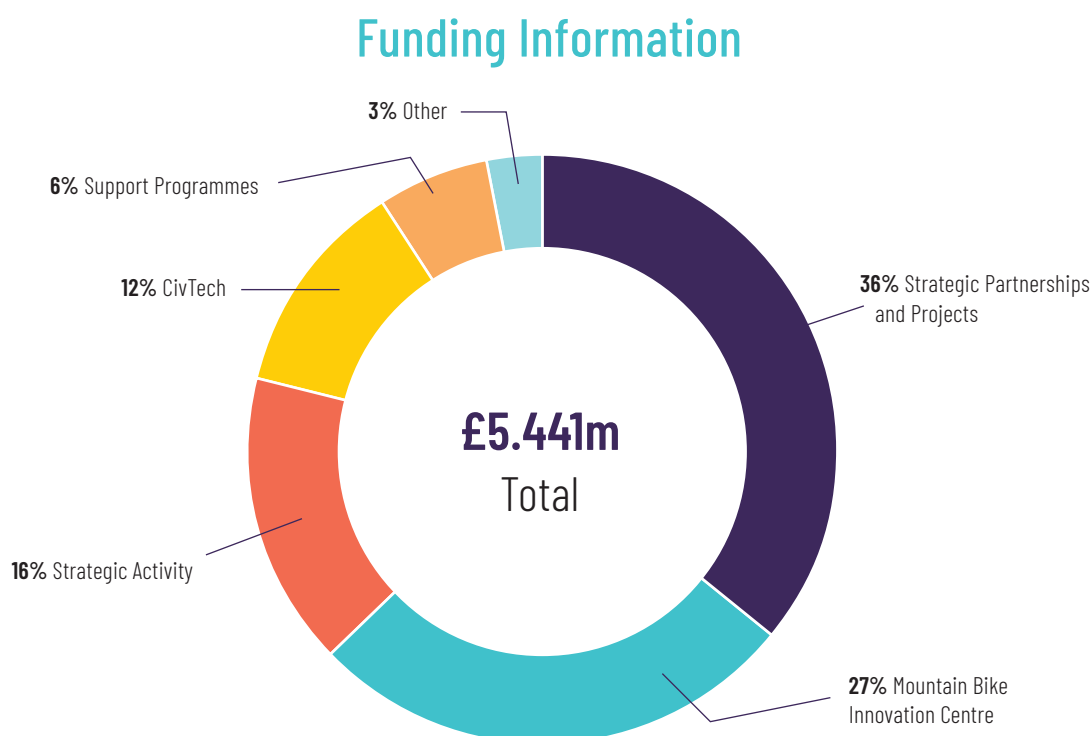
Place breakdown of projects funded during 2022/23



Supporting projects that will create a meaningful impact for local places and the individuals that live and work there is a key differentiator and ambition for SOSE. This year we continued to invest in projects right across the South of Scotland. The map shows the spread of our investment across the region into business and community projects. The funding contribution to projects ranged from less than £1,000 to over £700,000, indicated by the size of the bubble on the map.

Our funding for strategic partnerships, projects and programmes

SOSE directed £5.4m of its funding towards strategic partnerships and other activities (21/22 - £3.0m). In 2022/23 this included piloting and establishing a number of new support programmes for the region's enterprises. We continued our participation in the Scottish Government's CivTech programme and our support for significant partnerships that are driving forward the region's potential, like the South of Scotland Destination Alliance (SSDA) and Galloway and Southern Ayrshire Biosphere.



Strategic Partnerships and Projects – Support to partners, such as the South of Scotland Destination Alliance (SSDA) to deliver initiatives and services for the region, and investment in key regional projects.

Mountain Bike Innovation Centre – Ongoing delivery of the Mountain Bike Innovation Centre project, which SOSE is leading within the Borderlands Inclusive Growth Deal.

Strategic Activity – Developing knowledge, activity and capacity in relation to key issues and opportunities for the region, such as energy, digital infrastructure and natural capital.

CivTech – Supporting Civtech challenge participant companies to create digital solutions to real life challenges in the South.

Other – Other enabling activity such as event attendance and sponsorship
Support Programmes – Delivering support programmes for entrepreneurs, businesses and communities

Total funding information can be found in the Segmented Information note to the financial statements, (Note 2, page 98).

CivTech

NSET Theme: Entrepreneurial People & Culture

The CivTech programme taps into the innovative minds of Scotland's businesses and entrepreneurs to create digital solutions to real life challenges identified by Scotland's public sector. SOSE is now working with a total of seven companies to develop products that will make a difference in the South of Scotland; this year we sponsored three challenges focused on:

- Helping communities and households better understand their energy needs and work with local suppliers towards sustainable energy solutions
- Stimulating demand from community organisations to design, build and maintain cycling infrastructure and challenge existing construction guidelines to further a circular economy approach within path building
- Gaining a better understanding of the issues facing our town centres in order to encourage revitalisation

SOSE ActivatE programme

NSET Theme: Entrepreneurial People & Culture

This year SOSE launched ActivatE, a 12-month business coaching programme aimed at new and early stage businesses. The programme aims to support budding entrepreneurs and business owners to develop entrepreneurial skills and a strong, resilient mindset needed for success, as well as build solid business foundations. The first cohort of participants is currently halfway through the programme and has achieved an improved ability to communicate business purpose, strategy development, practical application of cost/revenue models and operational models.

Accelerating a just transition to Net Zero

NSET Theme: New Market Opportunities

Recognising the increasing urgency to respond to the climate crisis and need for SOSE to help lead a sustainable and just transition to Net Zero, this year we:

- Partnered with Fuel Change to engage young people to develop new, innovative Net Zero solutions to address real problems faced by organisations across the South of Scotland. The programme ran for over six months with 13 organisations from the region participating
- Partnered with Bright Green Business to place six young people on environmental placements with local businesses, offering meaningful project-based placements and ensuring our region's businesses benefit from relevant environmental expertise
- Launched the Beacon Business Net Zero Nation Accelerator Programme delivered by SOSE and Net Zero Nation to give focused support to the chosen businesses to deliver their Net Zero plan

Galloway and Southern Ayrshire UNESCO Biosphere

NSET Theme: New Market Opportunities

In 2020, SOSE committed £1.9m over five years towards the Galloway and Southern Ayrshire UNESCO Biosphere (GSAB). The GSAB is a world class environment for people and nature that covers 5,268km² of southwest Scotland. It has four main functions: Conservation, Learning, Development and addressing Climate Change.

2022/23 was a significant year for GSAB, as it celebrated its first decade as a biosphere and progressed its UNESCO review to seek reaccreditation and expansion of the Biosphere boundary into the Rhins of Galloway and marine environment. SOSE has also been supporting GSAB in its aim to build a sustainable office space to house the Biosphere team in St John's Town of Dalry. This year SOSE awarded £126k, of which £69k was spent in year, to GSAB to progress the design and planning for the project, to support its aspirations for their main office.



CASE STUDY

Gretna Green Ltd

NSET Theme: Productive Businesses & Regions

At the start of the energy and cost crises, Gretna Green Ltd faced a significant increase in its energy costs. Supported by colleagues from across SOSE and wider partners, the business took some immediate steps to reduce its energy consumption and began to investigate alternative energy sources for the longer term. As a result of its quick action to reduce energy consumption, including appointing Energy Champions for each area of the business and creating energy action plans, Gretna Green Ltd reduced energy usage by 483,000kW in the first three months of the project.

Responding to challenging times

This year our people, communities and businesses also had to contend with the energy, cost of living and cost of doing business crises. SOSE quickly mobilised a Cost Crisis Resilience Group to gather intelligence from across the South and develop tailored support, working collaboratively with other Enterprise Agencies to ensure a consistent “Team Scotland” response and champion the needs of the South at the national level.

SOSE supported 63 organisations to navigate the energy and cost crises, with the majority facing issues related to energy supply and costs. We worked with Business Energy Scotland to fast-track urgent referrals and assist local enterprises to improve energy efficiency and explore options for greater energy independence to counter rising costs.

Driving Change and Influencing Others in Action

This year SOSE continued to step up to lead change and influence others to accelerate the realisation of a fair, green and flourishing South of Scotland. We continued to work closely with our partners in the South of Scotland Regional Economic Partnership (REP) to strengthen the partnership and the delivery of the Regional Economic Strategy (RES). Guided by the direction of the NSET, our shared ambition for the region as set out in the RES and our growing understanding of the needs of the South, we took action on a wide range of priorities including Net Zero, Natural Capital, Housing and Digital.



Supporting the Regional Economic Partnership (REP) and Regional Economic Strategy (RES)

Following the launch of the RES in 2021, SOSE and the REP partners have been working hard to drive forward the delivery of the strategy.

This year, SOSE oversaw the development and implementation of progress reporting on the 47 actions set out in the strategy's Delivery Plan and brought partners together to advance the development of a performance measurement framework which will allow us to measure the impact of the strategy over its 10-year timeframe and beyond.

We helped oversee a refreshed and expanded membership of the REP, culminating in its first ever in-person meeting in March 2023, where partners agreed to refresh and refocus its priorities for the next two years, including strengthening its actions relating to housing, transport and skills that can unlock significant opportunities and improvements for the region.



Using our influence

A key part of our role is to represent the region beyond the South of Scotland, to raise our profile, shape national policies for the benefit of the region and ensure the region benefits from national investment and resources.

This year we have responded to 18 national consultations, ensuring the region's voice is heard on important themes such as transport, circular economy and innovation.

We sought to influence national policy and strategy, such as the National Innovation Strategy, to ensure it responds to the rural context of the South and reflects the breadth and depth of the region's activity.

We contributed to the Scottish Government's review of Regional Economic Policy and will work with them and partners to implement the agreed recommendations as we go forward.

We hosted a number of ministerial and senior Scottish Government colleague visits to showcase local enterprises and demonstrate the important role that the South of Scotland is playing in delivering Scotland's ambitions on innovation, Net Zero, Fair Work and entrepreneurship.



Building our intelligence

By gathering and sharing intelligence about the challenges and opportunities our region faces, we can develop and improve our delivery, help our partners and feed local and regional insight into national discussions.

This year, we streamlined and improved our tracking of redundancy information and continued to develop our dashboard of other intelligence indicators. We regularly surveyed our South of Scotland Rural Business Panel, giving us a temperature check of business confidence, helping identify regional challenges and opportunities and allowing us to track changes in key indicators over time.



CASE STUDY

Hydrogen Brokerage event

NSET Theme: New Market Opportunities

In June 2022, our hydrogen brokerage event and workshop – the first in the South of Scotland – brought potential producers and users together to explore the commercial opportunities that green fuel offers. The highly successful event, attracting almost 100 delegates, helped us to shift the dial on stakeholder perceptions of the region's potential as a leader in Green Hydrogen production. As a result, we successfully argued the case for the region to host two regional hydrogen hubs, where previously nothing had been identified for the South. While our region's contribution to Scotland's renewable energy output is approaching 20%, the real growth is forecast to be in production of hydrogen using entirely renewable electricity sources.



Net Zero

We want to be a catalyst for a collaborative, region-wide approach to realising a just transition to Net Zero in the South of Scotland. This year, we started work alongside Dumfries & Galloway and Scottish Borders Councils to develop a South of Scotland Route Map to Net Zero, which will plot and monitor how the region will get to Net Zero emissions of all greenhouse gases, and what we need to do to adapt to changes in our regional climate.

At the end of 2022 SOSE became a Silver-accredited Carbon Literate Organisation, recognising our continued work to deliver carbon literacy training within the organisation and to promote carbon literacy, including the benefits of a just transition to Net Zero, to the region's businesses, social enterprises and communities.

We continued to build the South of Scotland's position as a renewable energy powerhouse, focusing on specific opportunities for hydrogen, carbon capture utilisation and storage (CCUS) and manufacturing of synthetic fuels.

Through our Energy Transition Group we initiated research on the region's Onshore Wind sector and its use of community benefit and shared revenue models and a review of the constraints and future plans for the South's electricity transmission and distribution networks.

We developed a Net Zero Investment Opportunities Guide to set out and promote the greatest opportunities for investment across the South of Scotland to enable and accelerate the just transition to Net Zero. It identifies three key themes of investment opportunity across our renewables economy, natural economy, and values-based economy.



Natural Capital

We continued to build our understanding of the value of our region's Natural Capital through ongoing collaborative working as part of the Regional Land Use Partnership. This year we engaged over 500 stakeholders to inform the development of a Regional Land Use Framework to capture the diversity of land uses and landscapes in the South of Scotland and prioritise future land use change.

We collaborated with regional and national partners to develop opportunities for Responsible Investment in Natural Capital in South of Scotland, including a new private finance investment pilot that could mobilise between £200 and £300 million in landscape scale restoration of native woodland across the South of Scotland and around 6 million tonnes of carbon sequestration.





Community Wealth Building and Place collaboration

SOSE is committed to empowering our local communities through a place-focused and Community Wealth Building approach to economic development. We have continued to strengthen our collaborative working with local authority and third sector partners to coordinate activity, resource and investment through active involvement in Place Planning Partnerships, Economic Development Boards and Third Sector Locality Hubs.

We partnered with the Centre for Local Economic Strategies and local Registered Social Landlords to explore how a Community Wealth Building approach to retrofitting energy efficiency measures to the South of Scotland's social housing stock could bring significant benefits. The study identified that developing a retrofit supply chain for the South's social housing could create £112million in direct Gross Value Added (GVA) for the local economy by 2030, and more than 2,200 jobs.



Housing

In February, SOSE came together through the Convention of the South of Scotland with Scottish Government Ministers, Local Authorities, National Agencies, developers, utilities providers and Registered Social Landlords to focus on housing. High quality, affordable, warm and connected homes will help unlock many of our economic opportunities, while also tackling poverty, supporting people to live and work in the South and reducing our carbon emissions. We agreed we must work collaboratively through the Regional Economic Partnership to address the barriers constraining the supply of homes in our region, with SOSE taking a key role in facilitating the process.



Fair Work

We continue to champion Fair Work and lead by example by strengthening SOSE's own approach to Fair Work. In 2022/23 we sought to promote the opportunities that Fair Work offers to address the challenges that enterprises face around skills gaps, talent attraction and retention, disengagement and in-work poverty.

The last year has seen 13 new Living Wage accreditations across the region and SOSE becoming the South of Scotland's first accredited Living Hours employer. We are also developing an in-house system to more accurately track and measure progress made by our clients and projects, which will be launched next year.



Digital

SOSE published its [Digital Strategy](#) in June 2022 to support enterprises in the South of Scotland to harness the opportunities afforded by digital through (1)Connectivity, Access & Skills; (2)Digital Transformation & Maturity; (3)Innovation & Leadership.

The last 12 months has seen a significant increase in direct digital support for organisations of all sizes, as well as working with key external stakeholders to facilitate a coordinated approach to supporting digital activities and programmes across the region; including the Borderlands Inclusive Growth Deal and the Regional Economic Strategy.

SOSE supported Third Sector Dumfries and Galloway to lead a collaborative study exploring the extent of and reasons for digital exclusion in the west of our region. The study is the first of its kind for rural Scotland and provides a better understanding of access, motivation, and skills as key barriers, and how inclusion varies across different groups, which SOSE and other partners can use to develop more inclusive relationships with our people. We are working with partners to implement the recommendations.



Cycling

SOSE facilitated the coordination and development of a [10-year South of Scotland Cycling Partnership Strategy and Priority Action Plan](#). The strategy aims to position our region as the first in the UK to take the humble bike and use it to improve the economy and wellbeing of our people, make cycling more inclusive and help the South of Scotland achieve its Net Zero ambitions. It seeks to maximise our region's proud cycling traditions, fantastic facilities and stunning landscape to ensure the South becomes Scotland's leading cycling destination and is recognised as the global home of the bike by 2032.



CASE STUDY

Kirkpatrick Coast to Coast, South of Scotland's coast to coast cycle route

NSET Theme: Productive Businesses and Regions

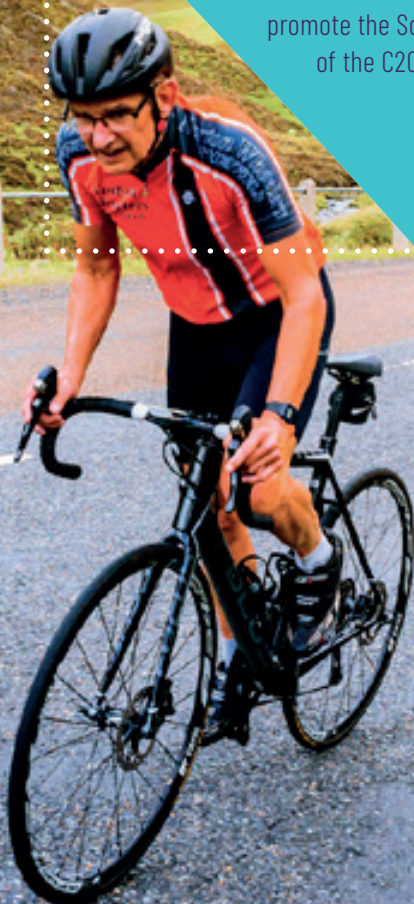
The Kirkpatrick C2C is an exciting new 250 mile on-road cycle route that will take cyclists across the region from Stranraer on the west coast to Eyemouth on the east coast, making it one of the longest in the UK and a new challenge for experienced cyclists.

The project was given the green light this year and is being delivered by members of the South of Scotland Cycling Partnership, including SOSE, Dumfries & Galloway and Scottish Borders Councils, South of Scotland Destination Alliance (SSDA), Sustrans Scotland and VisitScotland. SOSE committed £0.341m this year with £0.187m spend in year.

Walking and cycling routes can deliver significant economic, environmental and community benefits, and early projections are that the new South of Scotland Coast to Coast route could attract up to 175,000 new visitors to the region, with a direct spend of £13.7million per year.

The route is named after Kirkpatrick Macmillan, the 19th century Dumfriesshire blacksmith who invented the first pedal-driven velocipede, and provides an opportunity to promote the South of Scotland as the birthplace of the bike to raise the profile of the C2C route as well as other cycle projects in the region.

Photo: The Menzies pass, Dumfries and Galloway © SSDA



Developing Our Offer

In our third year we focused on building our internal expertise to increase our knowledge and understanding of the sectors, issues and opportunities that are most important to the South and to enhance our ability to deliver for the region. We established new partnerships and initiatives to bring additional support, resources and opportunities into the region, complementing a continued commitment to collaborating with regional partners to deliver key regional-focused programmes and activities in pursuit of a productive region.

Looking outwards to the people, communities and enterprises that we serve, we aimed to increase awareness across the region of what we offer and how to access us through our attendance at key events and enhancing our digital presence.

Looking inwards, we continued to strengthen the capabilities of our people, our organisational structures and our systems and tools so we are in the best shape to respond to the needs and opportunities of the South.



Building our internal expertise

Our strategy team continued to build expertise in key policy areas and sectors important to our region, including Natural Resources, Innovation and Cultural and Creative Capital. These roles enable us to maximise our impact and support colleagues across SOSE working directly with businesses and communities.

We continued to expand our capacity to accelerate Net Zero and nature-based solutions for the South, introducing specific roles to deliver Net Zero programmes and commercially-focused initiatives and projects, to drive the adoption of Circular Economy business models and to work with the Land and Forestry sectors to support their transition to Net Zero.



New partnerships and initiatives

We launched a partnership with Zero Waste Scotland, combining our shared expertise to accelerate the South of Scotland's circular economy ambitions.

We joined forces with Converge, Scotland's largest company creation programme for the Scottish university sector. Through the partnership we will identify and nurture entrepreneurial talent across our region's education institutions to help boost the South of Scotland economy.

We helped deliver a number of 'firsts'...

- The first South of Scotland event to explore hydrogen opportunities, bringing together potential hydrogen producers and users to match up supply and demand in the region
- The first time the Scottish Youth Film Festival was hosted outside of the central belt
- The first Scottish Games Week, hosting a 'Get Into Games' live event to showcase and ignite the opportunities the Computer Games sector can bring to the South of Scotland.



Creating an entrepreneurial culture

We hosted nine Women in Business events across the South of Scotland with over 200 attendees in total, to give female entrepreneurs and business owners an environment where they feel supported and create a strong network of women.

We continued to inspire entrepreneurship through our coaching for women and young people exploring or starting up new enterprises.



Inward Investment and International Trade

Working with Scottish Development International (SDI), we finalised our Inward Investment proposition to attract new investment and opportunities to the region and launched our inward investment website 'investinsouthofscotland.com'. We raised awareness of the region as a dynamic business environment for international businesses, through attendance at the World Forum for Foreign Direct Investment and Trade Envoy engagement.

We supported the South's existing exporters and those wishing to trade internationally for the first time, working closely with SDI to identify gaps in support and opportunities and to upskill our business advisors and specialists.



Regional programmes

We continued to take an active lead in delivering key elements of the Borderlands Inclusive Growth Deal including...

... the Mountain Bike Innovation Centre and Bike Park facility in Innerleithen, Scottish Borders. This year we completed the purchase of Caerlee Mill to house the innovation centre, obtained planning consent for the redevelopment and extension of the mill and confirmed our partnership with Edinburgh Napier University to operate the mill in partnership and run three strategic research and development labs.

... the Natural Capital Innovation Zone. We continued working with partners to develop a number of pilot projects that will begin implementation in 2023, including the Borderlands Data pilot, the Borderlands Natural Capital Investment Plan, the Borderlands Integrated Land Use and Woodland pilot and Sustainable Livestock and Species-Rich Grassland pilot.



CASE STUDY

Regional collaboration for regenerative agriculture

NSET Theme: Productive

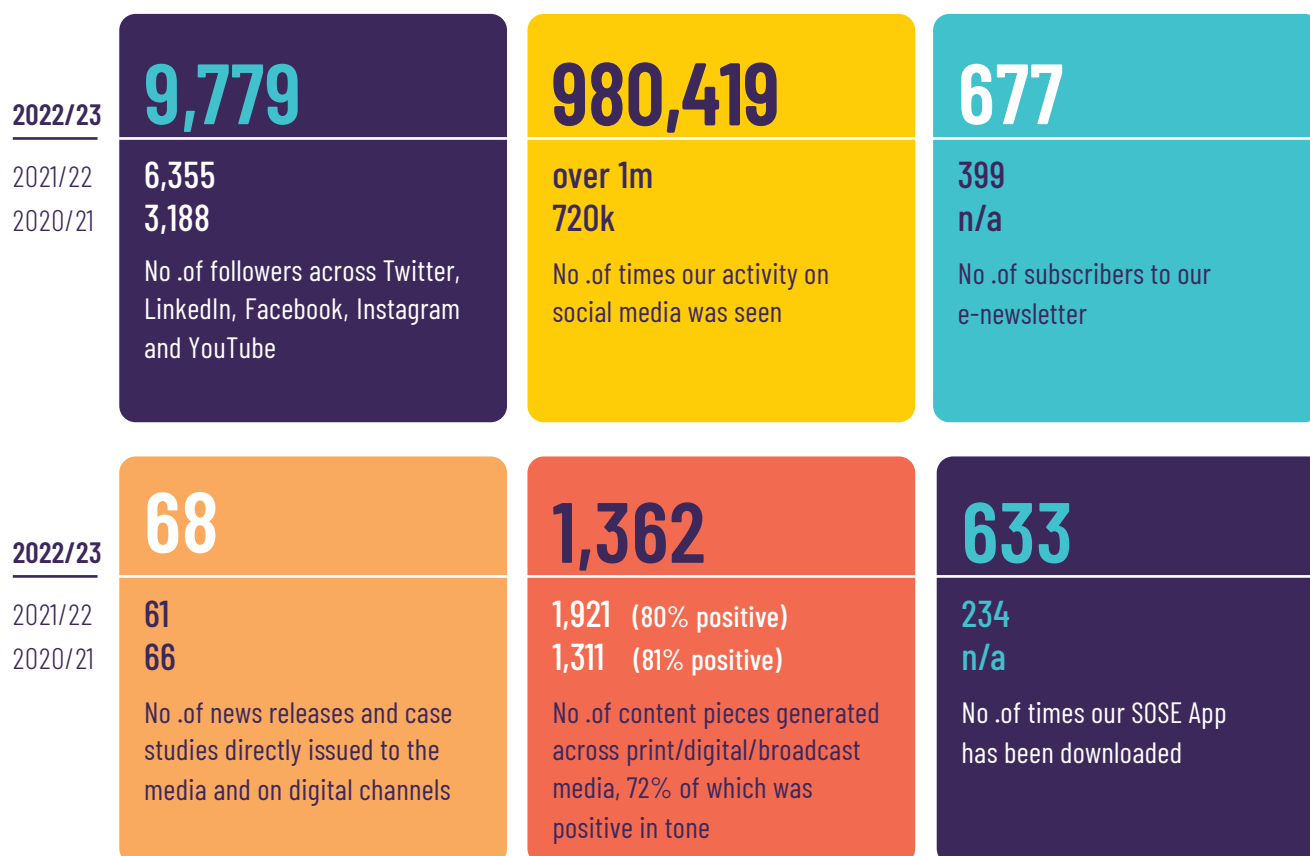
SOSE has a close working partnership with Scotland's Rural College (SRUC) supporting the development and delivery of programmes of work to cement the South as Scotland's 'go to' region for future investment in high-tech, sustainable and regenerative food production systems. This includes a number of nationally significant projects including the £21 million UK Research & Innovation Strength in Places funded Digital Dairy Chain project and the £8 million Dairy Nexus project, drawing on Scottish and UK Government funding secured as part of the Borderlands Inclusive Growth Deal.

Looking outwards...

We restructured the SOSE website to reflect our brand, make us more accessible and to provide website visitors with a seamless user experience. Since the refreshed website went live on 15 October 2022, there has been a shift in our most popular pages with 'Careers', 'Our Team' and 'Contact Us' featuring in the most popular pages for the very first time. We also received 24 enquiries submitted to specific people in SOSE for the first time via the new Staff Directory 'contact now' function which was not in place prior to the website refresh. Another new feature of the website is the press enquiry contact us functionality, which allows media to contact us more easily. We have seen an 88% increase in press enquiries received with 79 enquiries received this year compared to 42 last year.

As part of our work to increase our visibility and brand awareness we attended and hosted a range of events in the year. We attended the Border Union and Dumfries Shows for the first time, where we welcomed over 1,000 visitors to our stands across both events.

Communications stats



Looking inwards...

In November, we successfully launched our new SOSE DNA Induction platform. The SOSE DNA Induction captures SOSE's way of working to help guide staff on their SOSE journey and creates a shared vision of what we are here to deliver.

All our staff completed a refresh of their Equality, Diversity and Inclusion training and we appointed Equality Ambassadors across the organisation who will ensure that we are creating an inclusive culture and considering Equality, Diversity and Inclusion in everything that we do.

We refreshed two of our Board Committees:

The Remuneration, Nominations and Human Resources Committee was changed to the People and Organisational Development Committee, to reflect a greater focus on our people and organisational and leadership culture.

The Shadow Workers' Interest Committee was changed to the Just Transition Committee to recognise the critical need to embed a just transition to Net Zero when considering issues and opportunities related to workers within the South of Scotland. This committee is a requirement under the South of Scotland Enterprise Act 2019 and advises on what might be done to advance the interests of workers in the region, including fair working practices, equality of opportunity, talent and employment matters.

We continued to develop MySOSE, which will be our new client relationship management platform. The new platform will provide an engaging and digitally-focused way for clients to interact with SOSE, complementing other forms of interaction and communication, and will enable us to offer an outstanding service to the businesses, communities and people of the South of Scotland which fits with SOSE's business processes.



Principal Risks and Uncertainties

Continuing the alignment of SOSE's risk management framework with the Scottish Public Finance Manual (SPFM) guidance, our Board approved the annual risk appetite ratings and statements and strategic level corporate risks facing SOSE during 2022-23.

On behalf of the Board, the Audit and Risk Committee has overseen the Senior Leadership Team's continuous review and management of risk and further embedding of SOSE's risk management framework, throughout the year.

Within the terms and scope of the Risk and Internal Audit Policy, the risk framework has been developed in the year to include Project Risk Champions and expansion of the Risk Management Database System.

Annual refresh and regular review by the Senior Leadership Team (SLT) of the Corporate Risk Register, Departmental Risk Registers, Risk Appetite and PESTEL (Political, Economic, Social, Technological, Environmental, Legal) horizon scanning, has been completed throughout the year with escalation and cascading between Corporate and Directorate Risk Registers, where appropriate.

At the year end, there were fourteen Corporate Risks registered, with the following top three principal risks being managed and monitored particularly closely:

- **Volatile Economic Climate**

The compound scenario from both national and global issues that have brought about the volatile economic climate are recognised to bring risk to SOSE as it navigates the current economic, social and political changes. The geopolitical issues which bring additional pressures from the energy crisis, inflation, Russian sanctions, global markets volatility, and the impacts of rising costs on businesses and households, especially in our region, may impact or limit SOSE's ability to deliver its strategic aims and desired outputs.

- **Mountain Bike Innovation Centre Project (MTBIC)**

This major investment project for SOSE continues to be a top strategic priority for the Board. The Board recognises that if the project incurs significant increases in costs and, or, delays, then there may be programme delay resulting in delayed benefits to the region.

The success of the project is important for SOSE and the region and is dependent on continuing joint working with all partners. While the project remains largely on track, mitigations continue to be put in place and monitored, to reduce the likelihood of the risk crystallising, including close Project Board management, Senior Leadership Team supervision and regular oversight by Audit and Risk Committee and Board.

- **Funding: Allocation for the Future Year**

The dependency of SOSE's delivery on its funding is recognised such that if the allocated level of Revenue funding for the future year is not as expected and as required, then there could be an impact on SOSE's ability to carry out its aims.

In relation to the three principal risks, the Board continued to recognise and receive reports on the challenges to certain aspects of delivery throughout the year.

Other risks to overall service delivery and achievement of strategic objectives throughout the year, related to: impacts of potential cyber threat or attack; pressure from operational capacity and management limitations; evolution of offers to clients; changes of public body leadership in the region; Net Zero public body leadership and attracting inward investment related to Just Transition.

Operational risks escalated in the year included those related to the support structures and processes required to be put in place to ensure Records Management legislation and the Records Management Plan Actions are met and the risk related to completion of Equality Impact Assessments aligned to legislative requirements.

Scoring of the majority of risks either decreased, or remained static across the latter half of 2022-23, with only one risk increasing its score, in relation to the MTBIC Project.

Action to reduce risks continued to be reviewed, updated and enhanced throughout the year, particularly for risks scored above risk appetite.

Consideration of risk and specific risk assessment contributed to decision making across SOSE in relation to SLT and Board approvals of activities, expenditure and projects. Risks were escalated where scores increased or became of strategic importance onto the Corporate Risk Register from Projects or Directorate Registers. Where corporate risk scores reduced sufficiently these were transferred to Directorate level or treated as business as usual.

The Audit and Risk Committee, on behalf of the Board and supported by SLT, carry out horizon scanning twice yearly of external environmental factors. This resulted in new and updated corporate risks in the year.

Emerging risks that we foresee in the year forthcoming would center around the impacts of the cost-of-living crisis on communities, the effects of increased operating costs for businesses and SOSE's budget allocation aligned to inflationary pressures.

Going Concern

The Board and Accountable Officer have considered the resource budget for 2023/24, comprising Grant in Aid and 'non-cash' budget provision, supplemented by SOSE's business income from rental properties along with future forecast land sales and deem this an adequate resource to continue operational existence to undertake aims as set out for SOSE by Scottish Government in our Letter of Guidance.

Considering available budget together with SOSE's closing Statement of Financial Position at 31 March 2023, net assets of £5.309m, the annual financial statements have been prepared on a "going concern" basis. Further details of SOSE's resource budget for 2023/24 are given in the Performance Report and the Accountability Report. Details of the liquidity position are given in Note 24, page 119.

Future Plans

We published [Our Five Year Plan](#) at the end of March 2023, fulfilling a statutory requirement in the SOSE Act (2019) to make a plan of the things we intend to do to meet our Aims (an “action plan”).

Our Plan looks ahead to 2028 and:

- communicates our vision and our long-term priorities – the difference we intend to make and how;
- provides a framework to guide our day-to-day focus and decisions about where we will prioritise our support;
- demonstrates how what we intend to do delivers both for people in the South of Scotland and Scotland as a whole;
- sets out our approach to making it happen, including key partners we will look to work with; and
- makes clear how we will measure our impact and judge our performance – and report on that measurement – enabling those who we are here to serve hold us to account.

Our Five Year Plan is part of a collective effort to create a regional and national wellbeing economy in support of the ambition in the National Strategy for Economic Transformation (NSET) to create prosperity for everyone in Scotland.

At the heart of Our Plan are six areas of strategic focus, rooted in the needs and ambitions of the South. They have been shaped from the messages we heard in our [engagement](#) from the people who live, work and are active across the South of Scotland.

Going forward, we will produce and publish on our website an annual Operating Plan that will set out for each year of Our Five Year Plan what we will do to drive forward our areas of strategic focus and priorities.

Our [Operating Plan for 2023/24](#) is appended to Our Five Year Plan.

We are here to create positive change for the South and are committed to tracking our progress and measuring the impact that we want to have through our efforts and our involvement in wider strategic and partnership working. To do this we have developed a performance measurement framework that:

- Reflects the unique challenges and opportunities of the South;
- Recognises our wider remit as a development agency that wants to achieve economic, social and environmental transformation; and
- Aligns with the Scottish Government’s ambitions and those of the South of Scotland Regional Economic Strategy, demonstrating how we are delivering for people in the South of Scotland and Scotland as a whole.

Our focus for 2023-28 is to commence data collection in line with our agreed performance measurement framework; begin to establish a baseline against which we can measure our impact in the years ahead; and continue to refine and evolve our measures where needed.



Financial Performance

Purpose

The main purpose of this section is to summarise SOSE's performance for the period to 31 March 2023 against our finance targets. The full detailed financial statements are contained on pages 83 to 123.

The SOSE budget is supplied by the Scottish Government and is comprised of Resource, Capital, Financial Transactions, Ring-Fenced Expenditure and Annually Managed Expenditure. A small income is generated by SOSE mainly through property, plus also loan interest and funded employee positions.

The Resource budget covers day-to-day expenditure at SOSE such as staff salaries, operating expenditure, and grants to clients for similar types of expenditure.

Capital budget expenditure tends to be one-off in nature for example purchasing large pieces of equipment or property purchases where the asset life goes beyond one financial year, this has primarily been utilised in the form of grants to clients. SOSE allocated a portion of this budget to the development of MYSOSE, a CRM system and the purchase of laptops.

Financial Transactions is funding provided to support investment in companies or the provision of loans which is to be repaid to Scottish Government unlike Resource and Capital.

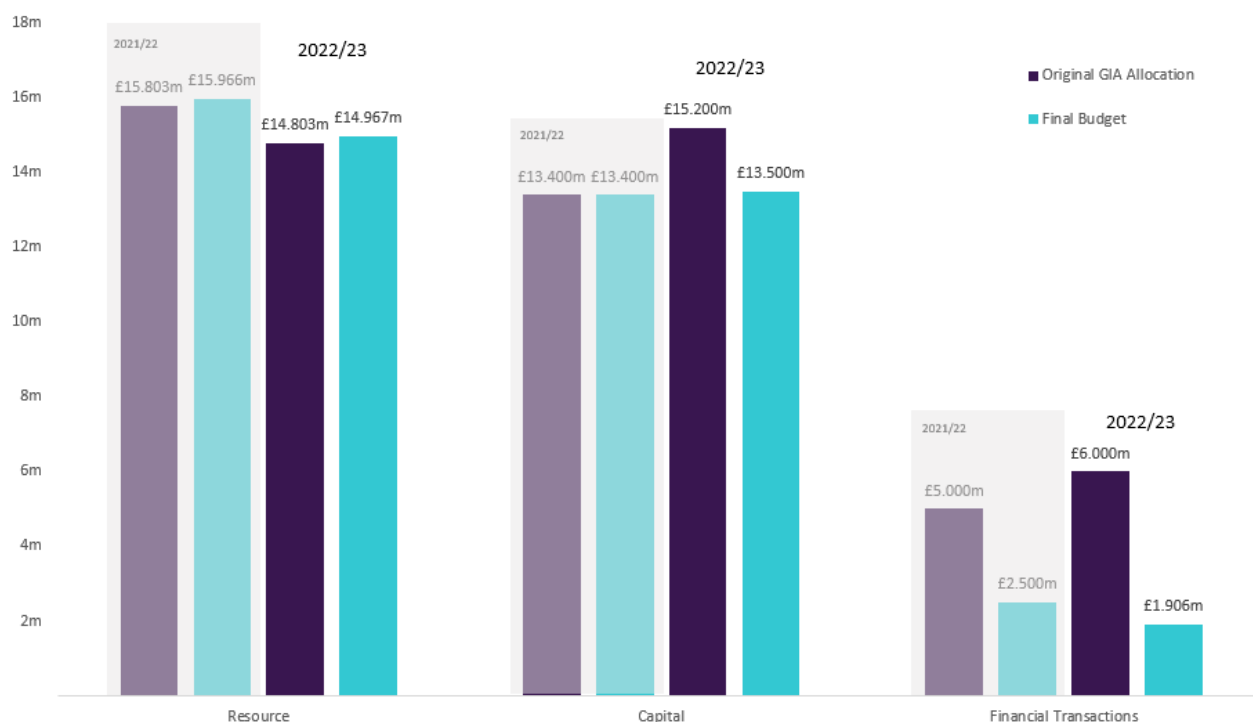
The Ring-Fenced expenditure budget is for technical accounting charges such as asset depreciation that does not include cash spend, this funding cannot be used to support the Resource or Capital expenditure.

Annually Managed Expenditure (AME) covers volatile costs that cannot be controlled in-year, such as pension liabilities arising from stock market movements, this funding cannot be used to support Resource or Capital expenditure.

Financial Performance

The Parliamentary Accountability Report section, page 73, details SOSE's financial outturn against allocated budget from Scottish Government.

SOSE Grant in Aid Funding from Scottish Government for year ending 31st March 2023



In the year ending 31st March 2023 the Scottish Government confirmed adjustments to the budget with net transfers in year as follows:

- Resource - £0.164m (2021/22: £0.163m) adjustment for Expected Credit Losses and IFRS16
- Capital - £1.700m (2021/22: net movement £0) adjustment agreed with Scottish Government as SOSE progressed to forecast outturn for the year
- Financial Transactions - £4.094m (2021/22: £2.500m) SOSE agreed with Scottish Government it would hand back funding at the Spring Budget Review

SOSE's third year in operation saw businesses and communities in the South of Scotland continuing to face challenges from global economic conditions. With efforts to recover from the COVID-19 pandemic hampered, for many, by labour and supply chain issues as well as rising inflation, in particular energy costs. SOSE continued to grow in year three, expanding and strengthening our workforce and continued to utilise systems and support through collaborative partnerships, with Skills Development Scotland Limited and Scottish Enterprise.

The Scottish Government Annual Strategic Guidance letter for financial year 2022/23 asked SOSE to focus effort and resources on delivering the actions and benefits of the National Strategy for Economic Transformation (NSET). SOSE aligned Grant in Aid funding to enterprises, projects, and strategic activity against the NSET themes – as detailed on page 13 Supporting the National Strategy for Economic Transformation.

Resource expenditure was closely monitored throughout the year, ensuring the Scottish Government were updated regularly with SOSE's forecast outturn. SOSE finished the year with a small underspend £0.227m (2021/22: £1.086m), of which half relates to an underspend in additional funding provided at SBR for Expected Credit Losses in relation to Financial Transactions, of which little funding was utilised in year.

The Capital budget was also closely monitored in year and SOSE agreed an underspend of £1.700m (2021/22: £1.200m) during the Spring Budget Review, as it became clear full utilisation would not be achieved. Following this SOSE worked towards the updated budget number to achieve a small underspend of £0.333m (2021/22: £2.730m), this underspend relates to a property purchase due to complete in year which was delayed into the next financial year.

The Financial Transaction budget allocation increased year on year by £1.000m, it became clear that the full budget allocation would not be utilised and agreed £4.094m (2021/22: £2.500m) would be handed back at SBR. Expenditure against budget was low for the year with an underspend of £1.848m (2021/22: £2.365m), this was in part due to a potential large loan which did not go ahead.

All depreciation is allocated to the Ring-Fenced Budget as described above, the original budget allocation was £1.000m, covering property, equipment, fixtures and fittings, and purchased IT equipment. It was identified in year the budget would not be fully utilised against the level of assets held on the Balance Sheet and in year purchases, net adjustments totalled £0.737m (2021/22: no adjustment to allocation). Budget utilisation for the period to 31 March 2023 totalled £0.203m (2021/22: £0.135m), £0.060m (2021/22: £2.365m) lower than the provision provided by the Scottish Government.

As described above, Annually Managed Expenditure is allocated to costs which cannot be controlled in year and is allocated in year using best estimates. In 2022/23 the allocation at SBR was £3.358m (2021/22: £1.716m) and the underspend for 2022/23 £6.101m (2021/22: £0.796m). The main reason for the underspend (£4.416m) is in relation to pensions, the movement in the pension deficit position is due mainly to a large increase in the net discount rate compared to the previous year. In addition to this the Scottish Government provided an allocation for a property impairment £1.530m, in which the impairment did not take place.

Financial Position

In the year to 31 March 2023 SOSE's Statement of Financial Position showed net assets of £5.309m (2021/22: £1.397m), an increase of £3.912m on the previous year.

The main additions have been to property, plant and equipment through construction works developing the Innovation Centre in relation to the Borderlands Mountain Bike Innovation Centre (MTBIC) programme, as well as intangible assets in development through the development of a Customer Relation Management (CRM) System. This is offset by other current and non-current liabilities and a reduction in retirement benefit obligation.

The net book value of property, plant & equipment was £3.624m (2021/22: £1.936m), this increase is largely in relation to construction works at the Innovation Centre site, plus a few smaller additions. SOSE has also invested in the development of bespoke software, a CRM system, with an increase of £0.973m (2021/22: £0.063m).

Cash and cash equivalents have decreased to £2.864m (2021/22: £4.950m), cash drawn down from Scottish Government but not utilised before year-end, principally being offset by creditors and accruals, see Statement of Financial Position, page 84-85.

SOSE provided pension benefits to employees through the Local Government Pension Scheme Scotland (LGPS), this is administered by the Scottish Borders Council Pension Fund (SBC). Further details of the pension are detailed in Note 19 to the accounts. The pension valuation at 31 March 2023 shows a pension liability of £0.285m (2021/22: £2.970m), the movement in the pension deficit position is due mainly to a large increase in the net discount rate compared to the previous year.

Payments to Creditors

SOSE aim to pay trade payables in a timely fashion in line with the Scottish Government's policy for prompt payment to pay suppliers within 10 days. The average payment time for supplier invoices in the period to 31 March was 7.2 days (2021/22: 9 days) which equates to 87% (2021/22: 90%) of suppliers paid within 10-day target.

SOSE observes the Government's policy for prompt payment and is committed to paying suppliers within 10 days of receipt of a valid invoice, and relevant purchase to pay processes are followed.

Procurement

SOSE fully complied with Public Contracts Scotland Regulations for its regulated spend (above £50k) and below this level complied with its own internal SOSE procurement policy. In line with the reporting requirements of the regulations, SOSE has produced its annual procurement report, a copy of which will be presented to government and made publicly available on the SOSE website.

SOSE engaged 209 suppliers in the year, of which all paid or were committed to paying the Real living wage, 165 were SMEs and 47 were based in the South of Scotland.

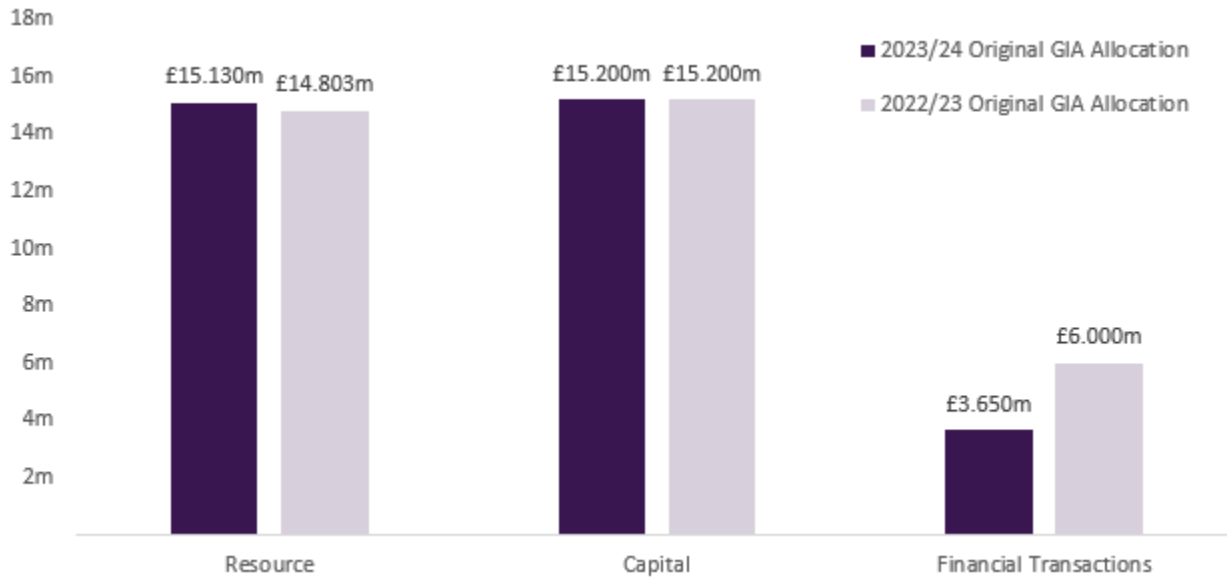
Public Sector procurement regulations seek to ensure that public procurement activity delivers value for money. During the year, 101 contracts were awarded and procurement savings of £27.5k were noted. Savings are calculated by using the methodology recommended by Scottish Government guidance, including taking the average rate proposed and the difference between that and the final rate agreed, or by estimating the cost avoidance through the use of an existing framework.

SOSEs key procurement priorities were, and continue to be:

- SOSE procurement activity (including contract management of business-critical suppliers) led or supported by the SOSE Procurement team ensuring full regulatory compliance.
- Ensuring SOSE procurement strategy supports delivery of SOSE corporate values and priorities.
- Promoting sustainable Procurement and ensuring that SOSE uses its assets to harness the regions potential whilst supporting a transition to Net Zero
- Supporting Community Wealth Building, particularly in the South of Scotland
- Supporting Small and Medium Sized Enterprises (SMEs), Third Sector organisations, and Social enterprises
- Putting sustainability and inclusiveness at the heart of our procurement approach
- Reducing bureaucracy and streamlining our procurement processes – increased use of collaborative framework contracts which meet the needs of SOSE
- Increasing collaborative working with other public sector organisations
- Delivering Value for Money – ensuring tax-payers money is spent sustainably, ensuring integrity and accountability

2023/24 Outlook

The graph below depicts the movement in original budget allocation year on year:



Resource

- A small increase £0.300m (2022/23: static (excluding one-off COVID-19 funding)) going into the new financial year 2023/24
- This is a challenging position for the Resource budget however in line with expectations given the current economic climate. SOSE will continue to monitor progress against budget, working closely with Scottish Government and continue towards SOSE's aims to help further the economic and social development of the South of Scotland

Capital

- Funding year on year has remained static
- We have set a capital budget with a high level of commitments showing an almost fully committed budget and a strong pipeline of projects to support this. The budget will be reviewed regularly during the year with a view to recommitting any slippage

Financial Transactions

- The allocation of this type of funding has reduced year on year and is now set at a level more in line with the size of SOSE as an organisation
- Work is being carried out internally to develop a process to appropriately utilise this funding

The current climate of inflationary pressures and budget allocations decreasing in real terms will provide a challenge to SOSE to balance resources versus ambitions, and it's a challenge we continue to grapple with. The largest financial risk for SOSE is securing enough Resource funding in future years, to be able to fulfil the aims of SOSE. To achieve this SOSE will need to be able to secure the correct amount of Resource funding, so the agency has the ability for growth and sustainability in supporting the economic and social development in the South of Scotland, if not SOSE will need to review the timescales for delivery. SOSE will continue to work with the Scottish Government on this to understand the likely outlook and employ scenario planning to model how this will look in the future.

Public Interest Reporting

As a publicly funded organisation, SOSE is committed to full compliance with

- Freedom of Information (Scotland) Act 2002 (FOISA)
- Environmental Information (Scotland) Regulations 2004 (EIRs)
- Data Protection Act 1988 / UK General Data Protection Regulations (GDPR) (EU2016/679)

Details of the number of information enquiries SOSE received is shown in Table A:

Table A	2022/23	2021/22
Freedom of Information (Scotland) Act 2002 (FOISA)	20	10
Environmental Information (Scotland) Regulations 2004 (EIR)	0	0
Data Protection Act 1988 / UK GDPR 2016 (Subject Access Requests)	0	0
Data Protection Act 1988 / UK GDPR 2016 (Data Breaches)	0	0
TOTAL	20	10

The detail of SOSE's response times and information request handling is shown in Table B:

Table B	2022/23	2021/22
Percentage of requests which received a response within the statutory timescales	100%	100%
Percentage of requests which received a response fully or partially disclosed	100%	100%
Percentage of requests which received a late response	0%	0%
Percentage of requests which were vexatious	0%	0%
Percentage of requests which were withdrawn	0%	0%
Percentage of requests not held	0%	0%

FOISA Exemptions Applied to Requests for Information (Table C):

Table C		2022/23	2021/22
Section of ACT (FOISA)	Description of exemption		
33(1)(B)	Substantial prejudice to commercial interests	3	1
30(B)(II)	Substantial inhibition to the free and frank provision of advice	3	1
30(B)(I)	Substantial inhibition to free and frank exchange of views for the purposes of deliberation	1	0
38(1)(B)	Personal information	3	0
27	Information intended for future publication	0	0

Number of Requests for Reviews (Table D):

Table D	2022/23	2021/22
Freedom of Information (Scotland) Act 2002 (FOISA)	2	0
Environmental Information (Scotland) Regulations 2004	0	0
Total	2	0

Number of Appeals to the Office of the Scottish Information Commissioner (Table E):

Table E	2022/23	2021/22
Freedom of Information (Scotland) Act 2002 (FOISA)	0	0

SOSE provide quarterly statistics on FOIs and EIRs to The Scottish Information Commissioner.

Complaints

SOSE is committed to providing high-quality customer services.

We value feedback and use this information to help us improve our services.

Our complaints procedure is easy to use and wherever possible we aim to resolve complaints quickly with a frontline response (Stage 1). If this is not possible a complaint investigation (Stage 2) is carried out.

If the complaint cannot be resolved internally it may be considered by the Scottish Public Services Ombudsman (SPSO).

Details of the complaints are shown in Table F.

Table F	2022/23	2021/23
Frontline response (Stage 1)	0	1
Investigation (Stage 2)	1	1
SPSO	0	0
Total	1	2

Sustainability and Environment Report

SOSE is committed to a Just Transition to Net Zero, focusing on reducing our own emissions and use of resources as well as supporting businesses, social enterprises and communities across the South of Scotland on their own journeys to Net Zero.

We are committed to continually developing and evolving our carbon emission data reporting to ensure we can effectively produce a more accurate organisational carbon footprint (year-on-year) and to continue to identify areas to reduce our Greenhouse Gas (GHG) emissions in the year ahead. The tables below provide an accurate illustration of our operating performance for the 2022/23 period.

		2022/23	2021/22
Waste* and water			
Non-financial indicators (tonnes CO2e)	Total Greenhouse Gas (GHG) emissions (from waste and water)	24.14	23.99
Non-financial indicators	General Waste (Tonnes)	48.74	48.74
	Recycled Waste (Tonnes)	38.66	38.66
	Total Waste (Tonnes)	87.40	87.40
Financial indicators (£'s)	Total disposal and water costs	£15,380	£6,264

Utilities & Business Travel			
Non-financial indicators (tonnes CO2e)	Electricity**	66.47	84.49
	Gas	131.13	126.88
	Business Travel	42.66	14.56
	Total GHG emissions	240.26	225.93
Non-financial indicators (kWh)	Electricity	304,823	366,463
	Gas	718,058	692,723
	Total	1,022,881	1,059,186
Financial indicators (£'s)	Electricity***	£20,148	£55,127
	Gas	£76,780	£31,254
	Business Travel	£66,476	£16,936
	Total	£163,404	£103,317

*In 2021/22 – 44.62 tonnes of waste were allocated as 'Recycled' and should have been allocated to 'Landfill'. The adjusted figures are now presented in the table above.

**Electricity tonnes CO2e for 2021/22 includes an adjustment of 0.03 tonnes CO2e to the calculation of transmission and distribution for EVs in 2021/22.

*** Electricity costs includes a price revision to bring SOSE onto the Scottish Government electricity framework agreement and accrual release from 2021/22 which related to an estimated tariff increase for green energy.

		2022/23	2021/22
Home working			
Non-financial indicators (tonnes CO2e)	Energy & heating	33.53	51.26
	Total GHG emissions	33.53	51.26

Total GHG Emissions			
Non-financial indicators (tonnes CO2e)	Total GHG Emissions	297.93	301.17
	Percentage Change	-1%	

Emissions per average number of employees			
	Average number of employees	137	108
	GHG emissions per employee (tonnes CO2e)	2.175	2.789

We have reported data in relation to waste, utilities, and business travel where we are directly responsible for these costs. We have also included water data from the date we have been able to start recording and reporting its use, which was not available prior to June 2022. Our data reporting system is built on the principles of the GHG Reporting Protocol and references the UK Government GHG Conversion Factors for Company Reporting. Our data now accurately quantifies Scope 1, 2 and 3 emissions across our operations. However, we are committed to continually improving our approach to ensure all direct and indirect emissions are captured and reported.

As reported in 2021/22, we have quantified employee home working impacts associated with energy (lighting and IT equipment) and heating. We have applied the best available methodology and referenced manufacturers data to do this within our reporting system. We will continue to report home working as accurately as possible (accounting for leave days and office days in our calculations) as part of our hybrid working model.

Our emissions have decreased by approx. 1% compared with the previous reporting period, however our staff numbers have increased from an average of 108 to 137. Whilst we have seen a fall in electricity use, specifically at Ettrick Riverside, Selkirk, along with a reduction in home working emissions as employees have worked more often in offices this past year; we have seen an increase in business travel emissions as our staff attend client meetings and wider events in and out of the region.

Other areas of activity have included:

- The purchase of Renewable Energy Guarantee of Origin (REGO) and Renewable Gas Guarantee of Origin (RGGO) – in line with public sector emissions reporting these have not been used in our emission calculations
- The rollout of Carbon Literacy training across the whole staff base, with SOSE now a Silver accredited Carbon Literate Organisation
- Working towards becoming a Cycle Friendly Employer, with infrastructure improvements being made to our office sites at Selkirk and Dumfries
- Electric vehicle infrastructure improvements with EV charge points installed at our Dumfries office, to complement the existing EV charge points at Selkirk

Building sustainability into our Procurement; supporting a just transition to Net Zero

SOSE has a Procurement Strategy that reflects the increasingly important role that procurement plays in enabling SOSE to deliver local environmental and socio-economic benefits whilst supporting a transition to Net Zero (NZ). The strategy clearly sets out how SOSE's procurement approach contributes to its commitment to a just transition to Net Zero. The strategy sets out how:

- Through developing improved specification SOSE will seek to reduce its carbon emission
- Through its procurement activity SOSE will seek to contribute to climate change adaptation; and
- SOSE will embed sustainability at the heart of its procurement activity and aim to deliver on a number of specific sustainable outcomes

For specific procurement exercises, consideration of the ways in which the desired contract will meet SOSE objectives is undertaken and built into the specification issued to prospective bidders. Consideration is routinely given to the impact of the procurement exercise – and includes, as appropriate, climate considerations.

Examples of where our procurement policy has delivered on our Net Zero aims are:

- Electric Vehicle Charging Points – SOSE is increasing the number of charge points in the South allowing wider use of electric vehicles and positively contributing to our climate change commitment
- In our IT hardware procurement, the latest energy efficiency and environment accreditations have been incorporated into the specifications used
- Developing the Coast-to-Coast cycle route – SOSE has procured temporary and permanent cycle counters to help develop the infrastructure, with the core aim of delivering a mechanism that allows tourists to visit and explore the south by way of active travel

Whilst SOSE does not routinely purchase a high volume of goods, when they are required SOSE seeks to procure responsibly and with sustainability in mind. This includes purchasing second-hand goods when appropriate and available, and working with local suppliers to minimise logistic impact as much as possible.

As part of procurement competitions, particularly for regulated tenders*, sustainability is embedded into the process to understand the social, economic and environmental impact of all contracts we award.

As evidence of sustainability SOSE asks bidders to provide specific details around:

- Fair Work practices and commitment to the living wage and the Scottish business pledge
- Sustainability policies/initiatives with emphasis around net-zero targets and knowledge of public sector policies and objectives
- If any Community Benefits can be derived from the contract providing bidders with examples

This will be carried out in a proportionate manner related to the value of the contract and tailored to suit the goods or services we are purchasing.

*The Procurement Reform Act (Scotland) 2014 set a contract threshold of £50,000 for goods and service contracts. Procurements with estimated values above these thresholds, are subject to the competitive tendering rules set out in the Regulations. These procurements are generally referred to as 'regulated procurements'.

Future

Moving forward SOSE remains dedicated to our transition to Net Zero, including formalising our reporting and monitoring processes for more regular updates to our Senior Leadership Team in year. We are also committed to exploring renewable energy solutions across our premises as well as supporting employees with smarter ways of working to further reduce emissions. For example, there are now salary sacrifice schemes for both cycling and electric vehicles.

SOSE had a specialist consultant undertake a review of Etrick Riverside to produce a comprehensive report detailing Net Zero / Energy Efficiency improvement options for the premises. The options appraisal produced some innovative proposals including the following more straightforward improvements – these were agreed by Property Board in January 2023 for delivery in the coming years:

- Options for improving Lighting; This project focuses on replacing the existing luminaires for new LED luminaires to reduce the energy consumed by these lamps and reduce, in the medium term, lamp replacement costs as LED lights have a longer life expectancy
- Options for improving insulation in the heating pipework

The SOSE Property and Investment strategy supports the delivery of heat decarbonisation and energy efficiency projects across the SOSE estate. The approach being taken by SOSE seeks to establish a pipeline of projects in future years, further accelerating SOSE investment in renewable heat technologies and energy efficiency.

Energy efficiency has been identified as an area of critical priority to ensure all buildings in the SOSE Estate reach zero emissions by 2045. The aim is decarbonisation, delivered through a variety of methods and using Net Zero technologies to achieve zero emissions heating systems across the SOSE estate.



J Morrison-Ross

Chief Executive and Accountable Officer
South of Scotland Enterprise

17 August 2023

A large graphic on the left side of the page, consisting of a teal-colored circular shape that overlaps a white circular shape. The teal shape is the primary focus, with the white shape partially visible behind it.

Accountability Report

Directors' Report

Board

The South of Scotland Enterprise Act 2019 which provides the legal framework for SOSE, allows for a board of up to 10 members, plus the SOSE Chairman and Chief Executive. Scottish Government Ministers appointed the chair and six members through the public appointment process and the Board co-opted a further four members.

Board Membership

	Appointed
Russel Griggs (Chairman)*	1 April 2020
Jane Morrison-Ross (Chief Executive)	22 February 2021
Duncan McConchie	9 March 2020
Lindsay McDowall	9 March 2020
Jeremy Sainsbury	9 March 2020
Helen Forsyth	9 March 2020
Alistair Cameron	9 March 2020
Sara Carter	9 March 2020
Vivienne Cockburn	1 April 2022
Emma Guy	1 April 2022
Kirsten Hannay	1 April 2022
Paul Winstanley	1 April 2022

*Russel Griggs – has been reappointed as Chairman for a further 4 years to 2027.

Senior Leadership Team

The Senior Leadership Team is responsible for the day-to-day management of SOSE operations and activities. The Chief Executive is a member of both the Board and the Senior Leadership Team.

Senior Leadership Team Membership

	Appointed	Leaver
Jane Morrison-Ross (Chief Executive)	22 February 2021	
Karen Jackson (Director of Strategy, Partnership and Engagement)	9 December 2019	
Anthony Daye (Director of Finance and Corporate Resources)	9 March 2020	
John Evans (Director of Transformation and Development)	10 March 2020	31 May 2022
Bryan McGrath (Director of Place and Enterprise)	11 May 2020	
Martin Valenti (Director of Net Zero)	5 July 2021	

Register of Board members' interests

SOSE supports the highest standards of corporate governance and has in place codes of conduct both for Board members and staff. In compliance with the Ethical Standards in Public Life etc. (Scotland) Act 2000, the SOSE Code of Conduct for Board Members is published on our website, together with details of company directorships and other significant interests held by Board members: <https://www.southofscotlandenterprise.com/who-we-are/our-board>

Data loss

There were no reported data losses or reportable data breach incidents in the year 2022/23 (nil 2021/22).

Appointment of auditors

Under the Public Finance and Accountability (Scotland) Act 2020, the Auditor General for Scotland has appointed Audit Scotland to carry out the external audit for the period ended 31 March 2023. The accounts of SOSE are audited by auditors appointed by the Auditor General for Scotland.

Fees chargeable for audit services provided by Audit Scotland amounted to £102,197, which includes a rebate of £8,523. (£83,392 2021/22). There were no fees payable to Audit Scotland for non-audit work during the period.

Severance payments

Detail of severance payments are included within the exit packages section of the Remuneration and Staff Report.

The Statement of Accountable Officer's Responsibilities

Under section 15 of the South of Scotland Act 2019, Scottish Ministers have directed South of Scotland Enterprise to prepare, in respect of each financial year, a statement of accounts, and to send a copy of the statement to the Auditor General for Scotland, for auditing. In addition, SOSE must, after each financial year, prepare and publish a report of its activities during the year and send a copy of the report to the Scottish Ministers to be laid before the Scottish Parliament. The accounts are prepared on an accruals basis and must give a true and fair view of the situation of SOSE and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

In preparing the accounts, the Accountable Officer is required to comply with the requirements of the Scottish Public Finance Manual (SPFM) and the Government Financial Reporting Manual (FReM) and to:

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going concern basis and
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and that the Accountable Officer takes personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable

The Principal Accountable Officer for the Scottish Government has designated me as the Chief Executive and as the Accountable Officer of SOSE. The responsibilities of an Accountable Officer, including responsibility for the propriety and regularity of the public finances for which I am, as Accountable Officer, answerable, for keeping proper records and for safeguarding SOSE's assets, are as set out in Managing Public Money published by HM Treasury.

As Accountable Officer I am responsible for signing the accounts and ultimately responsible to the Scottish Parliament. I am both Chief Executive of SOSE and the appointed Accountable Officer and the appointment as Chief Executive does not detract from the overall responsibility as Accountable Officer for SOSE's accounts. I take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

As the Accountable Officer, I have taken all the necessary steps I ought to have taken to make myself aware of any relevant audit information and to establish that SOSE's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

In these statements, as Accountable Officer, I confirm:

- That the annual report and accounts as a whole is fair, balanced and understandable
- The propriety and regularity of SOSE's finances and confirm that there are adequate and effective arrangements for internal control and risk management
- That the resources of SOSE as a public body are used economically, efficiently and effectively, and that arrangements are in place to secure Best Value and deliver Value for Money for the public sector as a whole
- Compliance with relevant guidance issued by Scottish Ministers, in particular the SPFM

Governance Statement

In the third year of SOSE's operation, Chief Executive Jane Morrison- Ross, continued to direct the organisation and to lead the Senior Leadership Team, in support of the Board.

As Accountable Officer, I Jane Morrison-Ross, have responsibility for maintaining a sound system of corporate governance and internal control that supports the achievement of SOSE's aims and objectives, set out in the South of Scotland Enterprise Act 2019 by Scottish Ministers, whilst safeguarding the public funds and assets for which I am responsible, in accordance with the responsibilities assigned to me.

In making these statements, I have placed reliance on the Corporate Governance and Assurance Framework, including internal control checklists and Director's Certificates, following SPFM model requirements, as well as independent assurance from internal auditors. I can confirm that I am assured of the effectiveness of the internal control and internal assurance frameworks in SOSE including:

- Assurance Map and Chart
- Assurance and compliance reporting to Senior Leadership Team (SLT), Audit and Risk Committee (ARC) and Board
- Audit and Risk Committee scrutiny
- Appraisal Panel
- Programme and Project Boards and Steering Groups
- Risk Management Framework
- Information System Security applications
- Internal Audit Programme and reports
- Governance and assurance related policies

In my key leadership role as Chief Executive and Accountable Officer, I am responsible for and continue to drive forward SOSE's vision to be responsible, inclusive, bold and striving, and to deliver for the South of Scotland. I have specific responsibilities in relation to:

- Corporate governance, including the concepts of compliance, assurance, and best value
- Planning, performance management, monitoring and continuous improvement
- Advising and supporting the Board
- Implementing policies
- Managing risk and resources

In the financial year 2022/23, the following specific developments have been delivered, to enhance the internal control framework:

- Project Board continued to oversee Mountain Bike Innovation Centre project, providing additional assurance to Audit and Risk Committee and Board
- Embedded financial controls- delegated authorities and budget monitoring with Finance Business Partners' co-ordination
- Risk Champions co-ordination of risk information, reporting and risk management database was embedded in Directorates and projects
- Business Impact Risk Assessments introduced
- Cyber Security work – SOSE security environment (Cyber Essentials+; independent Ernst Young review; Microsoft Defender for Cloud Apps implementation; DSSS (Digital Scotland Service Standard for MySOSE Project)
- Procurement and Property focus including insurance renewals
- Business Continuity Planning development
- SOSE continuation of accreditation as a Climate Literate Organisation
- Maintenance of Directorate Workplans integrating strategic objectives
- Budget setting and business planning in line with NSET in-year

Following SPFM guidance, the Internal Control Certification (ICC) process was completed for the year ending 31 March 2023 and demonstrated that there are no significant matters arising and that key controls have been in place and working well. There is a sound system of risk management and internal control across the organisation. The key control systems are effective, proportionate and appropriate for SOSE in its third year of operation.

The internal control framework in place will continue to be developed further and applied throughout SOSE, to enhance and embed control mechanisms especially in the following areas, to:

- Integrate performance measurement with the Five Year Action Plan roll out and key priorities
- Implement the Records Management Framework and policies including information asset management and related procedures
- Demonstrate application of the Equality and Diversity Framework
- Develop and implement the Performance Measurement Framework
- Implement and monitor the Cyber Security Programme
- Complete the Restructure of Place and Enterprise Directorate and overall development of the SOSE organisational culture and capability
- Embed Business Impact Risk Assessments
- Implement and test the Business Continuity Plan, business resilience and disaster recovery arrangements

Looking forward to 2024-25 and future enhancement of the control environment, the recognised challenges and opportunities facing SOSE going forward, will include:

- Integrating agile programme and project management across business projects
- improving efficiency, streamlining business processes, to give Executives sufficient awareness and assurance as the organisation grows in complexity
- maximising the potential of Board to support strategic level business delivery for example in Net Zero and Fair Work

The basis of providing assurance on SOSE's governance and internal control framework, is contained in the following sections which form the Governance Statement for 2023-24.

Governance Framework

As the Economic and Community Development Agency for Dumfries and Galloway and Scottish Borders, SOSE works closely with government under the sponsorship of the Scottish Government and the Chair of the Board and Chief Executive meet regularly with Government officials and Sponsor Team.

The governance of SOSE is directed and overseen by the Board, led by the Chair. In addition to Board responsibility for strategic direction and oversight of SOSE's financial and operational delivery, four Committees continue to undertake the governing responsibilities on behalf of the Board.

The Shadow Workers Interest Committee (SWIC) was reconstituted and renamed in November 2022 to the Just Transition Committee. The name of the Committee was changed, and the Terms of Reference updated to reflect new key challenges of just transition to Net Zero and to support the delivery of the strategy and plan for issues relating to advancing the interests of workers in the South of Scotland.

The Remuneration, Nominations and Human Resources Committee (RNHR) was renamed in August 2022 to the People and Organisational Development Committee (POD). The name of this Committee was changed and the Terms of Reference updated to reflect the development of a People strategy, updated responsibilities and a closer relationship with the Audit and Risk Committee.

Board and Committee structure

Committee	Comprises	Meeting frequency	Conducted
Board	The Board comprises a total of eleven members	6 times per year	Face to Face or virtual by exception. Board meetings are carried out within the community throughout the region
Audit and Risk Committee (ARC)	Committee Chair plus two SOSE Board Members, with Auditors and officers in attendance	5 times per year	Virtually and face to face
People and Organisational Development Committee (POD)	Committee Chair plus three SOSE Board Members, with officers in attendance	Quarterly	Virtually and face to face
Economics Committee (EC)	Committee Chair plus two SOSE Board Members and four external Members, with officers in attendance	Quarterly	Virtually and face to face
Just Transition Committee (JTC)	Committee Chair plus two SOSE Board Members and ten external Members	Quarterly	Virtually and face to face

SOSE Board is further supported by the Property Board including Health and Safety Committee, and Programme Board for the major project, Mountain Bike Innovation Centre. These groups report to the Senior Leadership Team, Committees and Board.

Board delegates its authority for strategic delivery and operational management to the Chief Executive and four Executive Directors. Together, the Chief Executive, Director of Finance and Corporate Resources, Director of Net Zero, Director of Place and Enterprise, and Director of Strategy, Partnership and Engagement, form the Senior Leadership Team (SLT).

The Board and executive management structure underpins and supports:

- the activities which ensure compliance with legislation, regulations, standards, codes and policies, and provide assurance to Scottish Government, partners, clients and the public
- an appropriate level of scrutiny and challenge
- the opportunity for innovative and creative thinking to take place

Following Scottish Government's COVID-19 guidance and lifting of restrictions during the year, SOSE has transitioned from remote working to hybrid and office working.

Corporate Governance

SOSE complies with the Scottish Public Finance Manual (SPFM), follows the Government Financial Reporting Manual (FReM), and applies good practice and relevant guidance related to governance matters.

SOSE's governance arrangements include the reporting structure of Board, Committees and Senior Leadership Team, with its Terms of Reference implemented in the year, governance related policies and clear roles and responsibilities and delegated authority arrangements which are transparent and supported by a clear evidence base.

The key components of the Governance Framework in SOSE are:

- Board and Committee terms of reference and forward plans
- Delegations to the Chief Executive and Senior Leadership Team through Committees
- SLT Terms of Reference
- Delegated Authority Policy
- Accounting Policies
- Corporate Policies
- Assurance Framework including Risk Management Framework
- Internal Audit Strategy and Annual Plan
- Annual Internal Controls Certification prepared, reviewed, and signed by Executive Directors and reviewed by the Chief Executive as Accountable Officer

SOSE Board

Our Board led SOSE throughout the year by its leadership, guidance, and support and in practice, through its schedule of meetings as well as ad-hoc meetings, visits and engagements.

SOSE Board Members have a broad range of knowledge and experience and, led by the Chair, Professor Russel Griggs OBE, they drive forward the vision and strategy of SOSE to promote the South of Scotland as a leader in innovation and entrepreneurship and centre of opportunity and growth.

The Chair was reappointed in the year for a further period of four years.

Board Members agreed to comply with the new Model Code of Conduct for Members of Devolved Public Bodies, December 2021, including compliance with declarations of interest and they adopt the principles of the Ethical Standards in Public Life (Scotland) Act 2000.

With regards to Board development, new Members undertook initial induction on appointment and existing Members' appraisals were carried out. SOSE strategy sessions have also been carried out with Board attending sessions with invited speakers to consider relevant themes, to build and strengthen the board's knowledge base.

Senior Leadership Team

Within the year, the organisation structure was streamlined from five to four Directorates:

- Finance and Corporate Resources
- Net Zero
- Place and Enterprise
- Strategy, Partnership and Engagement

The functions within the previous Transformation and Development Directorate were transferred with Human Resources, IT and Facilities moving into Finance and Corporate Resources, Fair Work and Equalities moving into Net Zero and Communications moving into Strategy, Partnership and Engagement.

The Executive Directors and Chief Executive meet at least weekly as the Senior Leadership Team (SLT). Within its Terms of Reference, SLT serves the Board and Committees by implementing strategy, developing and implementing policy and by delivering the operational management functions within SOSE, including programme and project oversight, investment appraisal panel and approval decisions aligned to the Delegated Authority Policy. The Chief Executive provides updates to Board on key SLT activities. SLT cascades regularly to the SOSE Team through weekly all-team meetings and through individual Directorate Team monthly meetings. SLT are responsible for implementing SOSE policy and delivering on the Strategy, Business Plan and Operating Plan.

Strategic Planning Framework

Over the year SOSE has progressed with the development of its Strategic Planning Framework built upon a new [Five Year Action Plan 2023-28](#), that was approved by Board in March 2023.

Following the first two years of SOSE operation, the Action Plan sets the new strategic priorities, which are the foundation of the Strategic Planning Framework and unpacks the SOSE Act obligations and themes from NSET. It progresses from the primary focus, to support the region to recover from the impacts of Covid-19, to attract inward investment to the region, encourage investment from within the South of Scotland, support local businesses to grow and entrepreneurs to start new businesses and encourage communities to develop projects that create jobs and contribute to community wellbeing. The Strategic Planning Framework will develop around the Action Plan which is set out under six key priorities and connected to the Operating Plan.

Board approved the Action Plan, supported by SOSE Executives and staff and developed it into activities that sit under each of six priorities:

- Advancing innovation and productivity
- Accelerating Net Zero and nature positive solutions
- Advocating for Fair Work and Equality
- Activating and empowering enterprising communities
- Attracting ambitious investment and
- Awakening entrepreneurial talent

The Action Plan will continue to develop over the forthcoming year to assess the impacts related to the six priorities and form the basis for tracking, measuring and future reporting. It forms key links between the Annual Operating Plan, Performance Measurement Framework and this Annual Report.

SOSE Board continued to carry out strategic review of investment priorities, organisational capacity and capability, resource and outcomes.

The Operating Plan makes a public statement of purpose and sets out what the plans are for the year.

Performance Management, Value for Money and Business Improvement

SOSE established a new Performance Measurement Framework and operational Team in the year. The new Head of Performance Measurement and Pipelines leads the Team within Place and Enterprise Directorate and in close co-ordination with all Directorates especially Strategy Partnership and Engagement, under oversight of Board.

A set of initial Primary Measures have been set out which will be used to evaluate and compare performance over time. Supporting Measures, including initial Investment, Activity and Impact Measures have been drawn up for future supplementing and expansion.

Directorate Workplans and financial plans will continue to be developed and be aligned to the Action Plan priorities through the forthcoming year to cascade into team and project plans and to ensure business improvement and value for money is captured. Using Power BI and other tools, analysis and reporting will be developed further to capture, track and report on both quantitative and qualitative business improvements and value for money measures.

SOSE achieves value for money as an integral part of its financial and business planning and service delivery. SOSE have continued to build Value for Money into everything it does. From being an integral part of financial and business planning (budgeting on a zero based budgeting basis), to the alignment with government appraisal methodology for investment and extending this to how we work on a day-to-day basis in relation to our policies and processes. Going into our fourth year, we have begun developing a corporate continuous improvement plan. Central to that will be how we challenge ourselves to continue to always make efficient use of all resources at our disposal.

Achieving this aim is central to promoting Fair Work, Net Zero, digital connectivity, improved transport services and infrastructure, sustainable, efficient use and reuse of resources and promoting efficient and innovative commerce and industry.

Efficiency in procurement, following best value principles and in delivering core business systems was achieved in the year by continuing partnering arrangements. Shared Services Agreements continued with Scottish Enterprise and Skills Development Scotland for core finance and business systems and contracted Internal Audit services from Scottish Enterprise and corporate office system support from EIS.

Risk Management

The Risk Management Framework in SOSE follows Scottish Government good practice and was subject to Internal audit review in the year, with a satisfactory level of assurance reported and completion of all actions.

Risk Champions developed in their role and risk registers were embedded across Corporate, Directorate and key projects, co-ordinated by the Risk Assurance Officer.

Overseen by Audit and Risk Committee, annual refreshes of Corporate and Directorate Risk Registers were completed, including risk appetite review which was approved by Board.

Horizon scanning was expanded to include security environment scanning in addition to the ongoing scanning of political, environmental, social, technological, economic, and legal environments.

The Major Project Risk Register for the Mountain Bike Centre Project continued to be reported to the Programme Board, Audit and Risk Committee and Board. Separate Components within the overall project were risk assessed for the Mountain Bike Innovation Centre Building, the Bike Park and Trail Lab and the Operational sets of risks. Other project risk registers were established and managed throughout the year including MySOSE Project and Coast to Coast Project.

The Risk Management Database System, Pentana, was fully implemented in the year with access rolled out to all staff and also used as the source to provide risk information to auditors.

Significant Risks

During 2022-23, significant strategic level corporate risks were regularly reviewed and updated by SLT, reviewed by ARC and reported to Board. The corporate risk register at the year end, included the following key risks:

- Volatile Economic Climate
- Cyber Security incident or business disruption
- Operational Capacity
- Evolution of Offers to Clients
- Reputation – Potential lack of Impact
- Management Capability & Capacity
- Mountain Bike Innovation Centre Project
- NetZero - Public Body Leadership
- Attracting Net Zero Inward Investment (for the region's Just Transition to Net Zero)
- Changes of Leadership in the South of Scotland
- Equality Impact Assessments
- Funding Allocation 2023/24 – Revenue
- Information Governance
- Responsiveness – Ability to react to Emerging Issues

Fair Work

Fair Work is an intrinsic part of SOSE's strategic priorities, and we have integrated Fair Work conditionality into our support offerings.

In line with Scottish Government policy on Human Rights, Fair Work and the SOSE Act, we have adopted those principles and appointed a Fair Work and Equalities Manager in the year, to develop a specific compliance framework and the processes to establish that our clients and prospective clients are responsible employers. This involves seeking to understand their approach to upholding human rights as part of our due diligence processes and developing those into our conditions of grant offers.

SOSE continues to encourage its clients to balance the rights and responsibilities of employers and workers to ensure that all employers can generate benefits for individuals, organisations, and society. Our vision for Fair Work is that by 2025, people in Scotland will have a world-leading working life where Fair Work drives success, wellbeing and prosperity for individuals, businesses, organisations and society.

The SOSE Net Zero Committee advises Board and Chief Executive as the Accountable Officer on:

- Playing a key role in developing, championing, and sustaining a culture of Fair Work in the South of Scotland
- Ensuring that organisations within SOSE's region model the principles of Fair Work- offering individuals an effective voice, opportunity, security, fulfilment, and respect
- Shaping, embedding, and assuring the Fair Work practices underpin the operation of SOSE
- Specific matters relating to the Fair Work interests of workers in SOSE's region within proposals, policies, strategies, and plans

Fraud Prevention

We align to the Scottish Government's Scottish Public Finance Manual which provides clear guidance on the approach to, and methodology for counter fraud, anti-corruption and bribery including reporting. There were no frauds reported in 2022-23.

SOSE's Counter Fraud Policy covers the breadth of probity requirements which SOSE is subject to within the public sector, including fraud prevention, anti-bribery, anti-money laundering, cyber fraud, probity around gifts and hospitality and declarations of interest, whistleblowing, and reporting.

Probity and fraud awareness training continues as part of induction for all new employees in SOSE. SOSE continues to emphasise high standards of integrity and probity for all Board and Committee Members, Executives, staff, clients, partners and suppliers and has codes of conduct, policies, and controls in place to minimise risk and ensure a strong control framework operates.

Management of Key Financial Liabilities

SOSE has implemented appropriate arrangements to address key areas of financial liability. These areas include property, pension, VAT and loan repayments.

Information Systems, Security and Business Continuity

SOSE continues to obtain assurances on the security and integrity of its IT systems, principally from the Shared Services contractual arrangements in place with Skills Development Scotland (SDS) and Scottish Enterprise (SE), for its core business systems. These include SDS hosted finance, HR, payroll and expenses systems accessed via the Cloud and SE hosted CRM database and corporate website.

SOSE uses Microsoft 365 as the platform for creation, storing and sharing of business-related documents. Data Security policies within SOSE ensure that that information security is maintained, following good practice in relation to applications including Sharepoint, Outlook and Teams.

Key controls over information management include access to file sharing apps being controlled centrally and the IT Usage Policy, which with other policies and procedures, ensures the physical security of devices.

Loss or theft of equipment or information is reduced by use of a suite of tools including Data Loss Prevention, MS Defender applications, Bitlocker, MFA (Multi Factor Authentication) and InTune on mobile devices.

Disaster recovery planning is in place for the Umbraco website should there be an outage on the MS Azure platform.

Led by SE, the core operational management CRM Partnership Agreement provides assurance with back-office support and capability put in place through an Enterprise Information Services (EIS) contract. The framework is built efficiently and on stable foundations within the Scottish public sector's established models and systems.

SOSE is a member of the Partner-wide EIS Security Group and obtains assurance on the security and integrity of its IT systems to ensure information is secure and managed in compliance with legislation and that data is held securely. There have been no major instances of data breaches during the year. The EIS-led cyber improvement programme continued in the year and SOSE also developed its own Cyber Strategy.

Ongoing cyber improvement will include the implementation of an improved Security Operations Centre (SOC) which performs vulnerability scanning and IT asset discovery and aids in aligning to certain controls within the ISO 27001 framework. Work will continue with Shared Service partners, SDS and SE to test Business Continuity Plans in the forthcoming year. Incident management plans as part of SOSE's Business Continuity Plan (BCP) approach was progressed in the year with consultants, to develop the framework and to complete testing. Klaxon notification and alert system, continues to support emergency response communications in the event of business disruption. We continue to operate in a hybrid working environment which serves as a disaster recovery back-up should offices be unavailable.

A major project for SOSE commenced in the year, to replace the existing CRM system and develop a new system for managing client information and records. The project started in 2022-23 with completion of the discovery and initial alpha phases in the year and plans were made for moving into beta phase and implementation during 2023-24. The new system is based on existing and proven technology, adapted from the MyHIE platform with bespoke adaptations for SOSE's client journey. Applying the Digital Scotland Service Standards (DSSS) the project is led by EIS delivery partner, Leidos, in conjunction with the SOSE project team. Overseen by the Senior Leadership Team in SOSE and reporting on progress and key risks to ARC, assurances are provided on security, information governance and quality.

Cyber Essentials Plus accreditation was achieved in 2021-22 with the first annual reaccreditation statement confirmed in 2022-23. SOSE aims to continue to confirm annual reaccreditation and are actively looking to set up Multi Factor Authentication (MFA) or Single Sign On (SSO) for all third party services, if not already enabled and where technically possible.

Following acceptance of SOSE's Records Management Plan by the Keeper of the National Records of Scotland in 2021-22, a business project to implement the recommendations made and to deliver improvements in records management procedures was established. Supported by third party expert advisers, preparation to submit a Progress Update Review (PUR) in 2023-24 has commenced.

Internal Audit

SOSE's appointed Internal Auditors, Scottish Enterprise Internal Audit, completed the third of their three-year programme and delivery of the annual plan of work for 2023-23.

The Internal Audit Strategy and Plan were overseen and monitored by the SLT and updates provided to Audit and Risk Committee. Internal Audit reviews in the period included: Performance Measurement; Strategy; Equality, Diversity and Inclusion; Corporate Governance; Finance; Business Continuity and Health and Safety; Operational Activities; Net Zero; IT Partnership Audit - Governance and IT Partnership Audit - Assurance Map.

The Chief Internal Auditor for Scottish Enterprise reported to the Audit and Risk Committee, communicated and liaised with the SLT and provided reports and updates to Committee at its regular meetings. There were no reports of limited or of no assurance reported in the year.

Through combined working with Internal Audit and External Audit, SOSE implemented recommendations for strengthening existing controls and communicating lessons learned to frame its continual improvement and development of good governance.

SLT combined tracking and updating internal audit recommendations as part of Directorate monitoring and ongoing consideration of risk. Continual improvement and effectiveness of internal controls was enabled through internal audit action tracking.

For 2022-23 the conclusion of internal audit work carried out, and reported to the SOSE Audit and Risk Committee, identified an overall good level of assurance on SOSE's framework of control, including governance, risk management, operational and system controls and line management controls. SOSE has an appropriate and effective risk management framework in place, which meets the requirements of the Scottish Public Finance Manual, and which contributes to a successful risk management culture. SOSE has implemented internal audit recommendations in the period with follow up reviews confirming satisfactory progress across all reports in the period.

External Audit

SOSE's external auditor is Audit Scotland. Specifically, the individuals acting on behalf of the Auditor General for Scotland, are responsible for auditing these financial statements for 2022-23. External Audit have reviewed this governance statement for its consistency with evidence collected during their annual audit and with other information gathered by them during the period.

Conclusion

As Accountable Officer, I confirm that I am satisfied with the effectiveness of SOSE's arrangements to ensure appropriate standards of corporate governance and effective risk management. I also confirm there were no significant control weaknesses, losses or identified data security incidents or data breaches during the year ended 31 March 2023 and to the date of signature of the accounts.

Remuneration and Staff Report

The sections marked (Audited) in this Remuneration and staff report are subject to separate opinion by Audit Scotland. The other sections were reviewed by Audit Scotland to ensure they were consistent with the financial statements.

People and Organisational Development Committee

The People and Organisational Development Committee (formally known as the Remuneration and Nominations and Human Resources Committee) reviews and determines the remuneration of the Chief Executive and Directors of the executive on an annual basis and within the context of budgetary constraints and Scottish Government pay policy. The Scottish Government finance pay policy team determines that the above decisions are subject to Scottish Government approval.

Remuneration of Board Members

Board members of SOSE are appointed by Scottish Ministers normally for a period of four years. Under certain circumstances Board members may be eligible for re-appointment for a second term. Their remuneration is set by the Scottish Government and is not pensionable. £1.8k benefits in kind were made to members of the Board during the year ended 31 March 2023 in relation to travel expenses (nil - 21/22).

Remuneration of the SOSE Board members for the period ended 31 March (Audited):

	2022/23	2021/22	Appointment expires
	£000	£000	
Professor Russel Griggs OBE*	55-60	55-60	31 March 2027
Alistair Cameron	5-10	5-10	8 March 2024
Professor Sara Carter**	5-10	5-10	8 March 2024
Helen Forsyth	5-10	5-10	8 March 2024
Duncan McConchie	5-10	5-10	8 March 2024
Lindsay McDowall	5-10	5-10	8 March 2024
Jeremy Sainsbury	5-10	5-10	8 March 2024
Vivienne Cockburn	5-10	-	31 March 2026
Emma Guy	5-10	-	31 March 2026
Kirsten Gannay	5-10	-	31 March 2026
Paul Winstanley	5-10	-	31 March 2026
Alan Daubney (co-opted members)	-	5-10	Term ended 11 March 2022
Kate Rowell (co-opted members)	-	5-10	Term ended 11 March 2022
David Sulman (co-opted members)	-	5-10	Term ended 11 March 2022
Hazel Smith (co-opted members)	-	5-10	Term ended 11 March 2022

* Professor Russel Griggs OBE, has been reappointed as Chairman for a further 4 years to 2027.

** Professor Sara Carter's remuneration has been waived and paid directly to University of Glasgow.

4 co-opted Board members appointments came to the end of their term on 11 March 2022, 4 new Board members were appointed from 1 April 2022.

Remuneration of Members of the Leadership Team

The contracts of members of the SOSE Leadership Team are permanent and have a three-month notice period. There are no early termination payment clauses within these contracts. No benefits in kind were made to senior members of the SOSE Leadership Team. All members of the SOSE Leadership Team are members of the Scottish Borders Council Local Government Pension Scheme (LGPS).

SOSE contribute 21.1% for all members of the Scottish Borders Council LGPS with the employee's contribution rate dependent on individuals' rate of pay. The scale for employees' contribution range between 5.5% and 12% on individual's pensionable pay.

Remuneration of the SOSE Leadership Team for the period ended 31 March (Audited):

	FTE* 22/23				Actual for year to 31 March 2023				FTE 21/22				Actual For year to 31 March 2022					
	Salary		Pension Benefits		Total		Salary		Pension Benefits		Total		Salary		Pension Benefits		Total	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Jane Morrison-Ross	115-120	115-120	46	160-165	110-115	110-115	37	150-155										
Karen Jackson	95-100	95-100	41	135-140	90-95	90-95	31	120-125										
Anthony Daye	95-100	95-100	79	175-180	90-95	90-95	82	170-175										
John Evans**	95-100	80-85	13	95-100	90-95	90-95	31	120-125										
Bryan McGrath	95-100	95-100	106	200-205	90-95	90-95	71	160-165										
Martin Valenti	95-100	95-100	37	135-140	85-90	65-70	21	85-90										

*FTE – Full time equivalent.

** Salary includes exit package

The value of pension benefits accrued during the year is calculated as the real increase in pensions and applying the HMRC methodology multiplier of 20 plus the real increase in any lump sum. The real increases exclude increases due to inflation and are net of contributions made by the individual.

Salary information (Audited)

In the year remuneration, including the highest paid director, ranged from £21k - £116k (2021/22 - £20k - £114k). No employee received remuneration in excess of the highest paid director.

Fair pay salary disclosures:

	2022/23		2021/22	
	Salary	% change	Salary	% change
Highest paid director	£116,007	↑ 1.9%	£113,800	-
Average all employees	£46,751	↑ 8.1%	£43,231	↑ 0.9%

Reporting bodies are required to disclose the relationship between the salary of the most highly paid director in their organisation and the 25th and 75th percentile and median earnings of the organisation's workforce, this data is shown in the table below:

	2022/23			2021/22		
	Salary	Ratio*	% change	Salary	Ratio*	% change
Median total remuneration	£45,747	2.5	↑ 4.7%	£43,693	2.6	↓ (3.6%)
25 th percentile	£36,299	3.2	↑ 13.3%	£32,043	3.6	↓ (14.0%)
75 th Percentile	£53,733	2.2	↑ 10.7%	£48,547	2.3	↑ 3.5%

*Ratio against highest paid director

2022/23 - The movement in pay ratios is consistent with SOSE's pay and progression policies available to all staff. The Public Sector Pay Policy Award was also higher than the 2021-22 award, to support the cost of living crisis, which resulted in a greater percentage change from the prior year.

2021/22 - The remuneration percentage change of the average employee was low due to SOSE's headcount growth, with a large increase in headcount below the prior year median. The percentage change in the 25th percentile and median decreased as a result of the change in the balance of SOSE's workforce.

There were £0.5k employee benefits during 2022/23 relating to working from home equipment (2021/22: nil)

Accrued Pension Benefits

Pension benefits for employees are provided through the Local Government Pension Scheme (Scotland), administered by the Scottish Borders Council Pension Fund.

The LGPS is a registered public service pension scheme under Chapter 2 of Part 4 of the Finance Act 2004. It achieved automatic registration by virtue of Part 1 of Schedule 36 of that Act (because the scheme was, immediately before 6 April 2006, both a retirement benefits scheme approved under Chapter I of Part XIV of the Income and Corporation Taxes Act 1988 and a relevant statutory scheme under section 611A of that Act). It complies with the relevant provisions of the Pension Schemes Act 1993, the Pensions Act 1995 and the Pensions Act 2004.

The LGPS meets the government's standards under the automatic enrolment provisions of the Pensions Act 2008.

The LGPS is a CARE (Career Average Revalued Earnings) scheme. This means that pension benefits are worked out on the pensionable years' earnings, and added to the member's accrued benefits to date. At the end of every scheme year the total amount of pension in the members account is adjusted to take into account the cost of living.

The accrual rate (currently 1/49th) guarantees a pension based on career average earnings revalued annually in line with inflation.

Normal retirement age is linked to the member's individual State Pension Age.

Contribution rates are set annually for all employees. LGPS members with pre-01/04/2009 service have an automatic entitlement to a lump-sum. Members with only post 01/04/2009 service have no automatic entitlement to a lump sum.

Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004.

Senior Officials Pension (Audited)

Pension benefits are provided to senior officials on the same basis as all other staff. The accrued pension benefits for senior officials are set out in the table below.

2022/2023

Name	Accrued pension at pension age at 31 March 2023	Accrued lump sum at pension age at 31 March 2023	Real increase in pension for period to 31 March 2023	Real increase / (decrease) in lump sum for period to 31 March 2023	CETV* at 31 March 2023	CETV* at 31 March 2022	Real increase in CETV
	Band £5000	Band £5000	Band £2500	Band £2500	£000	£000	£000
Jane Morrison-Ross	5-10	-	2.5-5.0	-	62	31	31
Anthony Daye	30-35	-	2.5-5.0	-	336**	293**	43
John Evans	0-5	-	0-2.5	-	59	52	7
Bryan McGrath	45-50	65-70	5.0-7.5	2.5-5.0	805**	718**	87
Karen Jackson	5-10	-	0-2.5	-	61	34	27
Martin Valenti	0-5	-	0-2.5	-	50	19	31

*CETV – Cash equivalent transfer value

** Includes transfer in from previous employment

Cash equivalent Transfer Value (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time.

The value of the accrued pension benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total pensionable service and not just their current appointment.

In considering the accrued pension benefits figures the following contextual information should be taken into account:

- (i) the figures for pension and lump sum are illustrative only in light of the assumptions set out above and do not necessarily reflect the actual benefits that any individual may receive upon retirement.
- (ii) the accrued benefits figures are reflective of the pension contributions that both the employer and the scheme member have made over a period of time.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Staff Report

Staff Costs:

	2022/23			2021/22		
	Permanent Staff	Other Staff	Total Staff	Permanent Staff	Other Staff	Total Staff
	£000	£000	£000	£000	£000	£000
Wages and salaries	6,221	245	6,466	4,439	141	4,580
Severance costs and exit packages	69	-	69	-	-	-
Pension costs	1,296	50	1,346	936	20	956
Social security costs	734	15	749	489	4	493
Apprenticeship levy	18	-	18	9	-	9
Holiday pay accrual	44	4	48	72	4	76
Less: Outward secondments allocated to project cost	(9)	-	(9)	-	-	-
Less: Capitalised staff costs	(108)	(9)	(117)			
Board Members' remuneration	148	-	148	143	-	143
Net staff costs in SOCNE	8,413	305	8,718	6,088	169	6,257
Contract/Temporary staff*	-	17	17	-	22	22
Total	8,413	322	8,735	6,088	191	6,279

*Reported in other management expenditure in Statement of Comprehensive Net Expenditure (SOCNE)

Average number of employees between 1 April and 31 March:

	2022/23			2021/22		
	Permanent Staff	Other Staff	Total Staff	Permanent Staff	Other Staff	Total Staff
Senior Leadership Team	5.5	0	5.5	6	-	6
Outward/Client Facing	65	0	65	77	5	82
Professional and Administrative Staff	58.5	8	66.5	18	2	20
Total	129	8	137	101	7	108

Employees by gender at 31 March:

	2022/23			2021/22		
	Male	Female	Total	Male	Female	Total
Board*	5	6	11	4	3	7
Leadership Team	3	2	5	4	2	6
Other employees	51	84	135	53	75	128

* 4 co-optee Board member appointments ended on 11 March 2022, 4 replacement Board members were appointed with effect from 1 April 2022.

The system collects data for male, female, other, prefer not to say, the above represents the responses received.

Sickness Absence

The attendance record for SOSE for the year to 31 March 2023 was 749 days sick leave out of a total of 29,740 possible working days representing a lost time through rate of 2.52% (2021/22: 0.68%)

Turnover rate

During the period there was 5.1% staff turnover (2021/22: 6.61%)

Compensation and exit packages

1 member of SOSE staff left under severance terms between 1 April 2022 and 31 March 2023, at a cost of £69,000 (2021/22: none).

	2022/23			2021/22
	Compulsory or voluntary redundancy	Other departures agreed	Total	Total
Exit package cost band				
<£10,000	-	-	-	-
£ 10,001 - £25,000	-	-	-	-
£ 25,001 - £50,000	-	-	-	-
£ 50,001 - £100,000	-	1	1	-
£100,001 - £150,000	-	-	-	-
£150,000 - £200,000	-	-	-	-
£200,001 - £250,000	-	-	-	-

Trade Union Facility Time

The Joint Negotiation and Consultation Forum (JNC) meets regularly and involves members of our Senior Leadership Team and representatives from our recognised trade union, PCS. Through this we share information, discuss issues of mutual concern, consult and, where appropriate, negotiate on policies, procedures and terms and conditions of employment, recognising the benefits of a positive and open relationship with our recognised trade union.

Statutory requirements of the Trade Union (Facility Time Publications Requirements) Regulations 2017 should therefore be considered in the context of the benefits both for the workforce and the employer.

As part of our commitment to working in partnership we offer paid facility time to our workplace representatives to enable them to carry out union activities and duties. There were two members of staff who became union representatives during 21/22, one union rep left employment on 31st August 2022.

PERCENTAGE OF WORKING HOURS SPENT ON FACILITY TIME	NUMBER OF UNION OFFICIALS
1 - 50%	1

The total cost of facility time amounted to 0.27% (2021/22: 0.078%) of the total pay bill, including the gross amount spent on wages, pension contributions, and national insurance contributions. Circa 50% of the total paid facility time hours was spent on trade union activities.

Employee Development

As well as developing our offer externally, internally we continue to develop our learning and development offer. We operate in an environment of continual learning and improvement this provides a continuous learning culture and provides a stimulating work environment for our employees.

Employees have had access to a range of learning opportunities and resources both formally and informally. We have an abundance of knowledge and skills from a range of different sectors and industries within the organisation and we showcase this specialist knowledge across the organisation to ensure we learn and grow from each other, opportunities include internal presentations to all staff or guest speakers coming in to talk about a range of subjects to ensure our employees remain up to date with changes within the changing economic development landscape and the support we can provide to our clients we support.

The range of employee development we have supported include leadership development, coaching, mentoring, secondment opportunities, digital induction, equality and diversity, cyber security, and other compliance training opportunities, sponsored further and higher education and some employees secured qualifications. We want to empower our employees to take action to develop themselves, to achieve their potential to ensure we all challenge ourselves to always be better.

Accreditations

Equality, Diversity, Inclusion and Belonging

Here at SOSE, we ensure that equality is a part of everything we do as an organisation. We ensure that people considerations are at the heart of every decision we make and whilst recognising that the demographic of the population in the south of Scotland is not as diverse as other areas of the country, we want to ensure that our work contributes towards the creation of a region where opportunity for all is the norm, regardless of whether they hold a protected characteristic or not.

Internally, we place a strong emphasis on equality, diversity and inclusion and have ensured that equality considerations are embedded in our attraction, assessment, and recruitment processes as well as our internal policies and ways of working. We offer a flexible and inclusive working environment and a diverse suite of policies designed to ensure that our staff are able to balance their individual needs and priorities, as well as feeling safe to bring their 'true' self to work.

In the last year, we have added a [Living Hours Accreditation](#) to our existing accreditations and charter marks and have signed up to [Stonewall](#). We continue to embrace the [Young Person's Guarantee](#), as well as continuing to commit to being a Living Wage employer, a certified [Scottish Credit and Qualifications Framework \(SCQF\)](#) Inclusive Recruiter and a [Disability Confident employer](#).

Parliamentary Accountability Report and Audit Report

The results for the year to 31 March 2023 are contained in the attached accounts which have been prepared in accordance with South of Scotland Enterprise Act 2019 and are in the form directed by Scottish Ministers. SOSE is mainly financed by Scottish Ministers through the Scottish Government Directorate for Economic Development. In addition to this SOSE also generates a small income mostly from rental property.

The original Grant in Aid (GIA) allocated to SOSE was £36.003m (2021/22: £34.203m), details are shown in the table below. As the year progressed and SOSE went through both the Autumn budget (ABR) and Spring budget reviews (SBR) this was adjusted through net transfers. The final GIA allocation was £30.373m (2021/22: £31.866m) made available to SOSE from the Scottish Government.

Grant in Aid allocation

	Resource Departmental Expenditure Limits	Capital Departmental Expenditure Limits	Financial Transactions	Total
	£000	£000	£000	£000
2022/23				
Original Budget	14,803	15,200	6,000	36,003
SBR Final Allocation	14,967	13,500	1,906	30,373
2021/22				
Original Budget	15,803	13,400	5,000	34,203
SBR Final Allocation	15,966	13,400	2,500	31,866

The above table does not include non-cash items, separate budgets have been provided for these as detailed in the table on the Summary of Outturn on page 75.

Financial Performance

The resource budget received net transfers of £0.164m (2021/22: £0.163m), this was made up of additional funding for Expected Credit Losses and an adjustment for IFRS 16, in relation to new lease accounting.

SOSE had a resource underspend of £0.227m (2021/22: £1.086m), half of the underspend related to the additional funding provided at SBR for Expected Credit Losses in which a smaller provision was required and the remainder due to a small number of items which have been delayed into the new financial year. During the year SOSE ensured Scottish Government (SG) was informed on a timely basis of our budget position and no issues have been raised.

SOSE received other income during the period for both Departmental Expenditure Limits totalling £1.372m,

- Resource £1.132m (2021/22: £0.904m)
- Capital £0.240m (2021/22: £0.210m)

Other income relates to rental and interest income, funding for Business Gateway and other funded posts, grant funding received from other entities, such as CivTech. The income received was allocated to expenditure throughout the year.

The Capital budget had an underspend of £0.333m (2021/22: £2.730m), as the year progressed SOSE provided timely updates to the Scottish Government on the budget position, and it was agreed SOSE would hand back £1.700m (2021/22: £0) funding at the Spring Budget review. This allowed SOSE the opportunity to utilise the updated budget, focussing on appropriate spend. The underspend was in relation to a land purchase which, due to the complex nature of the site suffered a delay into the new financial year.

Financial Transactions were not utilised during the year, with a small spend of £0.117m (2021/22: £2.077m). SOSE received increased funding from the previous year, and due to the economic conditions, the appetite for loans was not there. During the year SOSE discussed the Financial Transaction position with Scottish Government and agreed that £4.094m (2021/22: £2.500m) would be returned during the Spring Budget Review. SOSE expected to issue a large loan in year however due to circumstances this did not go ahead leading to an underspend of £1.848m (2021/22: £0.432m).

Of the £30.373m (2021/22: £31.866m) Grant in Aid the Scottish Government made available to SOSE, £25.397m (2021/22: £30.243m) was drawn down. The value drawn down was lower than what was available as SOSE utilised the additional drawdowns from 2021/22 which were not spent £3.360m.

The Scottish Government has awarded SOSE Budget for 2023/24 of £34.453m which includes both Grant in Aid and a non-cash budget provision. This is deemed adequate for SOSE to continue for the foreseeable future.

Summary of Outturn 2022/23

	Expenditure	Income	Outturn	GIA & grant allocation	Variance
	£000	£000	£000	£000	£000
Resource Budget	15,872	(1,132)	14,740	14,967	(227)
Capital Budget	13,407	(240)	13,167	13,500	(333)
Total Department Expenditure Limit	29,279	(1,372)	27,907	28,467	(560)
Financial Transactions	117	(59)	58	1,906	(1,848)
Non-cash costs including depreciation	203	0	203	263	(60)
Annually managed expenditure	(2,743)	0	(2,743)	3,358	(6,101)
Total	26,856	(1,431)	25,425	33,994	(8,569)

Summary of Outturn 2021/22

	Expenditure	Income	Outturn	GIA & grant allocation	Variance
	£000	£000	£000	£000	£000
Resource Budget	15,784	(904)	14,880	15,966	(1,086)
Capital Budget	10,880	(210)	10,670	13,400	(2,730)
Total Department Expenditure Limit	26,664	(1,114)	25,550	29,366	(3,816)
Financial Transactions	2,077	(9)	2,068	2,500	(432)
Non-cash costs including depreciation	135	0	135	2,500	(2,365)
Annually managed expenditure	920	0	920	1,716	(796)
Total	29,796	(1,123)	28,673	36,082	(7,409)

Reconciliation of Outturn to Total Comprehensive Net Expenditure

Reconciliation to Total Comprehensive Net Expenditure	2022/23	2021/22
Total comprehensive net expenditure	22,391	26,112
Land and property transfer from Scottish Enterprise	-	-
Pension (IAS 19)	2,685	(689)
Revaluation - property impairment	(37)	(285)
Revaluation - land and property gain	-	375
Depreciation	(203)	(135)
Proceeds from sale of land	-	(135)
Gain on sale of land	-	39
Non-current asset additions	393	127
Non-current asset disposal	(12)	-
Construction in progress	1,386	-
Right of use assets - IFRS16	261	-
Non-financial asset addition	-	25
Intangible additions	973	63
Expected credit loss for trade debt (AME)	12	(6)
Increase in provision	(40)	-
Tax provision and charges (AME)	98	59
Net expenditure funded by SG Departmental Expenditure Limit (DEL)	27,907	25,550
Loan funding issued in year	117	2,077
Loan repayments in year - capital	(59)	(9)
Financial Transactions (FT) funded by SG	58	2,068
Total DEL and FT funded by SG	27,965	27,618

The outturn figure for Resource and Capital Departmental Expenditure Limit and Financial Transactions reconciles to the Segmental Reporting in note 2 on page 98.

Other disclosures

- Losses and Special Payments – due to the nature of SOSE’s investments, there are occasions when it is required to write off balances which are no longer recoverable. The balance written off in 2022/23 had been fully provided for in 2021/22.

	2022/23		2021/22	
	No of cases	£000	No of cases	£000
Financial Asset losses (loan write-off; company in liquidation)	1	203	-	-

The Scottish Public Finance Manual (SPFM) requires total losses and special payments exceeding £0.3m to be disclosed, SOSE has reported the above under the reporting threshold for the year ending 31 March 2023 (nil 2021/22).

- Fees and charges - The fees and charges guidance in the SPFM require charges at market rates whenever applicable. SOSE has nothing to report for the period to 31 March 2023 (nil 2021/22) relating to fees and charges.
- Gifts - The SPFM requires gifts to be reported and individual gifts of more than £0.25m to be noted separately. SOSE has nothing to report for the period to 31 March 2022 (nil 2021/22) in respect of gifts.
- SOSE has no contingent liabilities to report.



J Morrison-Ross

Chief Executive and Accountable Officer
South of Scotland Enterprise

17 August 2023

Independent Auditor's Report

Independent auditor's report to the members of South of Scotland Enterprise, the Auditor General for Scotland and the Scottish Parliament

Reporting on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of South of Scotland Enterprise for the year ended 31 March 2023 under the South of Scotland Enterprise Act 2019. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Government Financial Reporting Manual (the 2022/23 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of the body's affairs as at 31 March 2023 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 FReM; and
- have been prepared in accordance with the requirements of the South of Scotland Enterprise Act 2019 and directions made thereunder by the Scottish Ministers.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 3 April 2023. My period of appointment is five years, covering 2022/23 to 2026/27. Including a previous appointment, the period of total uninterrupted appointment will be six years. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the body's current or future financial sustainability. However, I report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

I report in my separate Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the body's operations.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the central government sector to identify that the South of Scotland Enterprise Act 2019 and directions made thereunder by the Scottish Ministers are significant in the context of the body;
- inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- inquiring of the Accountable Officer concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Reporting on regularity of expenditure and income

Opinion on regularity

In my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to my responsibilities in respect of irregularities explained in the audit of the financial statements section of my report, I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on audited parts of the Remuneration and Staff Report

I have audited the parts of the Remuneration and Staff Report described as audited. In my opinion, the audited parts of the Remuneration and Staff Report have been properly prepared in accordance with the South of Scotland Enterprise Act 2019 and directions made thereunder by the Scottish Ministers.

Other information

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited parts of the Remuneration and Staff Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the South of Scotland Enterprise Act 2019 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the South of Scotland Enterprise Act 2019 and directions made thereunder by the Scottish Ministers.

Matters on which I am required to report by exception

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Pauline Gillen

Pauline Gillen
Audit Director

Audit Scotland
8 Nelson Mandela Place
Glasgow
G2 1BT
17 August 2023



Financial Statements

South of Scotland Enterprise

Statement of Comprehensive Net Expenditure for the year ended 31 March 2023

		2023	2022
	Notes	£000	£000
Expenditure from activities			
Operating expenditure	4	15,420	18,157
Net management expenditure on staff costs	6	10,347	7,736
Other management expenditure	6	2,169	2,039
Depreciation and impairment	6	203	420
		28,139	28,352
Income			
Income from activities	3	(564)	(509)
Other income	3	(654)	(459)
		(1,218)	(968)
Net operating expenditure		26,921	27,384
Other finance charges	5	102	61
Interest receivable	5	(155)	(50)
Net expenditure after interest		26,868	27,395
Taxation	7	(88)	(151)
Net expenditure		26,780	27,244
Other comprehensive (income) / expenditure			
Items that will not be reclassified to net expenditure			
Deferred tax arising on revaluation of buildings	7	(10)	92
Actuarial (gain) / losses recognised in retirement benefit scheme	19	(4,416)	(850)
Revaluation (gain) / loss on land and property	8	37	(374)
Other comprehensive expenditure for the period		(4,389)	(1,132)
Total comprehensive net expenditure for the period		22,391	26,112

The notes on page 88 to 123 form part of these accounts.

South of Scotland Enterprise

Statement of Financial Position as at 31 March 2023

		2023	2022
	Notes	£000	£000
Non-current assets			
Property, plant, and equipment	8	3,624	1,936
Right-of-use assets	20	247	-
Intangible assets in development	11	1,036	63
Financial assets	9	1,234	1,525
Non-financial assets	10	-	25
		6,141	3,549
Current assets			
Trade and other receivables	13	1,024	1,351
Cash and cash equivalents	14	2,864	4,950
Assets classified as held for sale	15	521	618
Current financial assets	9	357	94
Taxation receivable	13	66	-
Deferred tax	7	140	43
Total current assets		4,972	7,056
Total assets		11,113	10,605
Current liabilities			
Trade payables and other current liabilities	17	(3,471)	(4,222)
Taxation payable	17	-	(42)
Lease liabilities	20	(65)	-
Provisions	16	(40)	-
Total current liabilities		(3,576)	(4,264)
Non-current assets plus current assets less current liabilities		7,537	6,341
Non-current liabilities			
Trade payables and other liabilities	18	(1,769)	(1,974)
Retirement benefit obligation	19	(285)	(2,970)
Lease liabilities	20	(174)	-
Total non-current liabilities		(2,228)	(4,944)
Assets less liabilities		5,309	1,397

South of Scotland Enterprise

Statement of Financial Position as at 31 March 2023

		2023	2022
	Notes	£000	£000
Taxpayers equity			
General Reserve		1,186	1,653
Revaluation reserve		474	511
Pension Reserve		3,649	(767)
Total equity		5,309	1,397

The notes on page 88 to 123 form part of these accounts.

The Accountable Officer authorised these financial statements for issue on 17 August 2023



J Morrison-Ross

Chief Executive and Accountable Officer
South of Scotland Enterprise

17 August 2023

South of Scotland Enterprise

Statement of Cash Flows for the year ended 31 March 2023

		2023	2022
	Notes	£000	£000
Cash flow from operating activities			
Net expenditure before taxation		(26,866)	(27,395)
Adjustments for:			
Depreciation	8,20	203	135
Property Impairment	8	-	285
Provision for expected credit losses	9	86	464
Movement in pension	19	1,731	1,539
Gain on sale of land	15	-	(39)
Interest receivable	5	(155)	(50)
(Increase) in trade and other receivables	13	272	(1,095)
Provision for irrecoverable debts and losses	13	(12)	(1)
Increase / (decrease) in trade and other payables	17,18	(92)	1,935
Movement in provision	16	40	-
Net cash outflow from operating activities		(24,793)	(24,222)
Cash flows from investing activities			
Sale of land	15	-	135
Purchase of non-financial asset	10	-	(25)
Purchase of intangible asset	11	(973)	(63)
Payments to acquire plant and equipment	8	(1,779)	(127)
Disposal of IT equipment	8	12	-
Interest received in year	9	155	35
Loans advanced in year	9	(117)	(2,077)
Loans repaid in year	9	59	9
Net cash outflow from investing activities		(2,643)	(2,113)
Cash flows from financing activities			
Grant and Grant in aid from Scottish Government		25,397	30,243
Repayment of lease liabilities	20	(47)	-
Net cash from financing activities		25,350	30,243
Net increase in cash and cash equivalents	14	(2,086)	3,908
Cash and cash equivalents at beginning of period	14	4,950	1,042
Cash and cash equivalents at end of period	14	2,864	4,950

The notes on page 88 to 123 form part of these accounts.

South of Scotland Enterprise

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2023

	£000	£000	£000	£000
	General Reserve	Revaluation Reserve	Pension Reserve	Total Reserves
Changes in taxpayers' equity 2021-22				
Net expenditure during the year	(27,245)	-	-	(27,245)
(Loss) / Gain on revaluation of property, plant, and equipment	-	374	-	374
Actuarial gain / (loss)	-	-	850	850
Deferred tax current year credit	(92)	-	-	(92)
Total recognised income and expense				
Grant in Aid from Scottish Government*	26,966	-	-	26,966
Balance at 31 March 2022	1,653	511	(767)	1,397
Changes in taxpayers' Equity 2022-23				
Net expenditure during the year	(26,780)	-	-	(26,780)
(Loss) / Gain on revaluation of property, plant, and equipment	-	(37)	-	(37)
Actuarial gain / (loss)	-	-	4,416	4,416
Deferred tax current year credit	10	-	-	10
Total recognised income and expense				
Grant and Grant Aid from Scottish Government*	26,303	-	-	26,303
Balance at 31 March 2023	1,186	474	3,649	5,309

*Grant in Aid (GIA) funding from SG in the general reserve does not include cash received for Financial Transactions £0.294m (2021/22 £2.077m), this funding is recorded under current and non-current liabilities (Note 17&18). 2022/23 GIA includes £1.2m cash received in 2021-22 not utilised.

Notes to the accounts

1. Accounting policies

Basis of preparation

The SOSE accounts are prepared in accordance with Section 15(B) of the South of Scotland Enterprise Act 2019 and the Accounts Direction from the Scottish Ministers.

The financial statements have been prepared in accordance with the 2022/23 Government Financial Reporting Manual (FRoM). The accounting policies contained in the FRoM follow generally accepted accounting practice for companies (GAAP) to the extent that it is meaningful and appropriate to the public sector.

Where the FRoM permits a choice of accounting policy, the accounting policy that has been judged to be most appropriate to the particular circumstances of SOSE for the purpose of giving a true and fair view has been selected.

The preparation of accounts in conformity with the FRoM requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below in "Critical accounting estimates and key judgements", page 95.

The SOSE accounts are prepared under the historical cost convention except that the following assets and liabilities are stated at fair value:

- Retirement benefit assets (Note 19)
- Land and property (Note 8)
- Expected credit losses (Note 9)

Assets classified as held for sale are held at the lower of carrying amount or fair value less costs to sell. (Note 15)

Going Concern

The Board and Accountable Officer have considered the resource budget for 2023/24, comprising Grant in Aid and 'non-cash' budget provision, supplemented by SOSE's business income from rental properties and deem this an adequate resource to continue operational existence to undertake the aims as set out for SOSE by Scottish Government in our Letter of Guidance and in our Operating Plan. Considering available budget together with SOSE's closing Statement of Financial Position as at 31 March 2023 which records net assets of £5.309m, the annual financial statements have been prepared on a "going concern" basis.

Funding

SOSE receives Grant in Aid from the Scottish Ministers on an annual basis coincident with the entities financial year to fund its net operating costs. Grant in Aid is credited to the General Reserve and the net cost of activities funded by Grant in Aid is charged to this reserve.

SOSE also receives Financial Transactions funding from the Scottish Government for the specific purpose of financing equity investments and the provision of loans. Financial Transactions funding is repayable over variable periods and is recognised as a current or long-term liability in accordance with the repayment terms determined at the time each tranche of the funding is drawn down from the Scottish Government.

Property, plant, and equipment

During the period SOSE held property, land, IT assets, equipment and fixtures and fittings.

- **Land and Property**

Property for commercial lease and SOSE's own use and land held for or under development, are held at fair value and valued every three years in accordance with The Royal Institution of Chartered Surveyors Valuation Standards 2020 (Red Book) and specifically the basis valuation for IFRS. In the prior year (2021/22) the Property Board chose to conduct a year end valuation at 31 March 2022 due to market changes, the next valuation falling due for year ending 31 March 2025.

In line with IAS 16, SOSE capitalises any costs directly attributable to bringing the property to the condition necessary for it to be used in the manner intended.

Increases in the carrying amount arising on revaluation are credited to the Revaluation Reserve. Decreases that offset previous increases on the same asset are charged against the Revaluation Reserve relating to the asset; all other decreases are charged to the Statement of Comprehensive Net Expenditure.

Increases that offset previous decreases charged to the Statement of Comprehensive Net Expenditure on the same asset are credited to the Statement of Comprehensive Net Expenditure to the extent of previous decreases and subsequently to the Revaluation Reserve.

When land and property assets are sold, any amounts included in Revaluation Reserve in respect of previously recognised surpluses are transferred to the General Reserve.

Buildings incur a monthly depreciation charge applied from the month of acquisition and no charge is made in the month in which it is disposed. Land is not depreciated.

Depreciation is charged to the Statement of Comprehensive Net Expenditure on the revalued amount of each property less the estimated residual value on a straight-line basis over their expected useful lives of up to a maximum of 50 years. Where an item of property has significant components, the components are depreciated separately, in accordance with their useful lives. The useful lives of property assets are determined in consultation with Chartered Surveyors. The properties' residual values and useful lives are reviewed, and adjusted if appropriate, on a triennial basis at the date of the Statement of Financial Position.

The difference between depreciation based on the revalued carrying amount of the asset is charged to the Statement of Comprehensive Net Expenditure and depreciation based on the asset's original cost is transferred from the Revaluation Reserve to the General Reserve.

Assets under construction are shown at cost. Once complete these assets are reclassified into land and buildings and are revalued at fair value. Increases or decreases in value at the time of the first professional revaluation are accounted for on the same basis as other revaluation movements noted above. Depreciation is only applied once the asset has been transferred out of assets under construction.

- **Non property assets**

As permitted by the FReM, non-property assets are carried at depreciated historic cost. SOSE consider that all the assets in these categories have short useful lives and the depreciation rates provide a realistic reflection of consumption and reduction in carrying value.

Non-property assets are capitalised when an individual item value is in excess of £500 where the item is expected to have a useful life greater than one year.

Non property assets are depreciated on a straight-line basis to allocate their cost to their residual values over their estimated useful lives as follows:

Plant and Equipment	over 4 years
Information Technology	over 3 years
Furniture and Fittings	over 4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the date of each Statement of Financial Position.

A depreciation charge is applied in the month of acquisition of an asset and no charge is made in the month in which it is disposed.

- **Subsequent expenditure**

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognised. All other repairs and maintenance are charged to the Statement of Comprehensive Net Expenditure during the financial period in which they are incurred.

- **Impairment**

Assets that have an indefinite useful life, for example land, are not subject to depreciation or amortisation and are tested annually for impairment in the annual review process carried out by the Property Board. An external valuation is carried out on a triennial basis.

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment losses in respect of land, property, plant, and equipment are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Where an asset is not held for the purpose of generating cash flows, value in use is assumed to equal the cost of replacing the service potential provided by the asset, unless there has been a reduction in service potential. Non-financial assets that suffer impairment are reviewed for possible reversal of the impairment at each subsequent reporting date.

Following the Property Board review, an impairment of £38k was recognised during the year.

Intangible Assets in Development

In line with the development criteria specified in IAS 38 an intangible asset in development, software, is recognised on the balance sheet at cost using the cost model. Amortisation will only commence once the asset is available for use, amortising over the useful life. Associated research costs are expensed as incurred.

Non-current assets held for sale

Non-current assets are reviewed regularly to ensure that they continue to contribute positively to policy and business objectives. Assets that no longer provide the required level of contribution are considered for disposal by senior management.

In accordance with the criteria specified in IFRS 5 non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction, the asset is being actively marketed for sale and a sale within a period of 12 months is considered highly probable. Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs of disposal.

Non-current assets held for sale are not depreciated.

Financial assets – loans

Loans are financial assets held to collect contractual cash flows, capital, and interest, are carried at amortised cost using the effective interest method less provision for impairment. Financial assets are recognised in current assets except for maturities greater than 12 months after the date of the Statement of Financial Position which are classed as non-current assets. Interest income from these financial assets is recognised in other finance income in the Statement of Comprehensive Net Expenditure.

Financial assets - trade and other receivables

Trade and other receivables, where payment is due within one year, are initially recognised on the balance sheet at transaction price. Due to the short-term nature of trade and other receivables the carrying amount is considered to be the same as their fair value. This value is adjusted for any measurement for potential credit loss.

Financial asset – expected credit loss

On a forward-looking basis SOSE assesses the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been significant increase in credit risk. For credit exposures where there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

For expected credit losses associated with trade receivables, SOSE applies the simplified approach permitted by IFRS 9, which requires lifetime losses to be recognised from initial recognition of the receivables.

SOSE will write off a receivable when there is information indicating that the debtor is in severe financial difficulty and there is no longer prospect of recovery. Should subsequent recovery be achieved this would be recognised in the Statement of Comprehensive Net Expenditure.

Cash and cash equivalents

Cash and cash equivalents solely comprise cash at bank that is available on demand.

Trade and other payables

Trade and other payables within one year are obligations to pay for goods or services that have been acquired during the period. The liability is recognised on the balance sheet at transaction price. The carrying amounts of trade and other payables are considered to be the same as their fair value.

Payables are generally paid within 10 days of receipt of an approved invoice in line with the Scottish Government target.

Provisions

Provisions are liabilities of an uncertain nature and will be recognised where an event is probable, only recognising a liability once there is certainty over the event. Creation of a provision is recognised in Resource AME, transferring to DEL when utilised.

Income

Income from assets sold is recognised when the significant risks and rewards of ownership have been transferred to a third party. Revenue from services provided is recognised in the period for which the services were provided to the extent that the income has become receivable.

Revenue grants and partners' contributions to projects are recognised in the period to which they relate.

Income is stated net of VAT where applicable.

Irrecoverable income

Irrecoverable income is written off at the earliest opportunity. Provision is made for income which is considered unlikely to be recovered. See section on expected credit loss above.

Other grants funding

Other grant funding is credited to the Statement of Comprehensive Net Expenditure on the basis of amounts receivable in respect of expenditure incurred in the accounting period on approved projects.

Grants

Grants payable or paid are recorded as expenditure in the period that the underlying event or activity giving rise to the grant occurs. Where necessary, obligations in respect of grant awards are recognised as liabilities.

Taxation

SOSE's principal income comes from Grant in Aid received from the Scottish Ministers and is not taxable profit or losses arising from business activities are taxable (principally issuing of loans and tenanted properties).

Tax on the net expenditure for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Net Expenditure. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using the rates enacted. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions for corporation tax on gains, profits, and losses, as computed for tax purposes, arising from business activities on the basis of amounts expected to be paid to the tax authorities. A deferred tax asset is not recognised to the extent that it is not probable that taxable profit will be available against which the tax deductions can be offset.

VAT

Income is accounted for net of output VAT.

Expenditure is accounted for net of recoverable input VAT. SOSE can recover 100% input VAT when the expenditure is exclusively related to business activity. No input VAT is recoverable on non-business activity expenditure. SOSE now has a partial exemption special method approved by HMRC, applicable from 1 April 2022.

Contingent Asset

A contingent asset is a potential asset whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events that are not wholly under the control of SOSE. A contingent asset is not recognised on the balance sheet until it is virtually certain it will be received. Until this point, it is reported in the financial statement notes.

Employee benefits

- Retirement benefits

Employees of the company are members of a defined benefit pension scheme providing benefits on a career average revalued earnings basis, this is provided by Scottish Borders Council.

The Scheme is accounted for on a defined benefit basis under IAS 19 Employee Benefits. Assets and liabilities of the schemes are held separately from those of the entity. The schemes assets are measured using market values and the schemes liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond. Contributions to these schemes are calculated to spread the cost of pensions over employees' working lives with the entity. The contributions are determined by an actuary on the basis of triennial valuations. The actuaries also review the progress of the schemes in each of the intervening years. Variations from regular cost are spread over the expected average remaining working lifetime of members of the schemes after making allowances for future withdrawals.

The expected cost of providing staff pensions to employees contributing to the schemes is recognised in the income statement on a systematic basis over the expected average remaining lives of members of the funds in accordance with IAS 19 Employee Benefits and recognises retirement benefits as the benefits are earned and not when they are due to be paid. The income statement also includes the net impact of returns on the schemes' assets and interest on the schemes' liabilities, which is disclosed as other finance income. A pension scheme asset is recognised on the balance sheet only to the extent the surplus may be recovered by reduced further contributions.

or to the extent that the trustees have agreed a refund from the scheme at the balance sheet date. A pension scheme liability is recognised to the extent that the entity has a legal or constructive obligation to settle the liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the statement of comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income and expenditure, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

- **Short term employee benefits**

A liability and an expense are recognised for holiday days, holiday pay, and other short-term benefits when the employees render service that increases their entitlement to these benefits. As a result, an accrual has been made for holidays earned but not taken. Accruals are recognised for material amounts in respect of holiday days, holiday pay and other short-term benefits earned but not taken or paid at the date of the Statement of Financial Position.

Change in accounting policies

Leases – IFRS 16

Under FReM IFRS 16 became effective from 1 April 2022. The standard replaces “IAS 17 – Leases” and largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. This is a significant change in lessee accounting.

SOSE transferred applicable leases brought forward to report under IFRS 16 (Electric Vehicles). On transition at 1 April 2022 SOSE, as lessee, applied IFRS 16 retrospectively with the cumulative effect of initial application recognised at that date. SOSE did not restate comparative information but recognised the cumulative effect of initial application as an adjustment to the opening balance of taxpayer equity.

New contracts are reviewed to determine when it contains a lease. Where identified SOSE will recognise a right-of-use asset and a corresponding lease liability for lease arrangements where SOSE is the lessee. The lease liability is initially measured at the fair value of the lease payments that are not paid at the commencement date. Right-of-use assets have not been measured at the discount rate of 0.95% as outlined in the Public Expenditure System notification (PES (2022) 08) due to being an immaterial change.

Right-of-use assets are initially recognised on the balance sheet under the cost model, the amount of the total lease liability. The cost may be subsequently adjusted to reflect any remeasurement of the lease liability due to lease modifications. This initial cost is depreciated over the shorter of the lease term and the useful life of the underlying asset. Depreciation starts at the commencement date of the lease.

VAT on leases is expensed as incurred, along with relating service charge costs.

Lease details including payments variations, extension and termination options are included in Note 20, page 115.

SOSE have a Memorandum of Terms of Occupation Agreement, with Scottish Enterprise. This is deemed a licence and accounted for as income within the SOCNE.

Critical accounting estimates and judgements

The preparation of the accounts in conformity with IFRS requires SOSE to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Judgements deal with the application of accounting policies while the estimates deal with estimation techniques.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Information about critical judgements in applying accounting policies that have the most significant effects on the amounts recognised in the accounts are as follows:

- **Valuation of non-current assets**

In line with FReM SOSE revalue land and buildings held for commercial and own use on a triennial basis, last valuation date 31 March 2022. An internal annual review was conducted by SOSE's senior management during the February 2023 and April 2023 Property Board meeting. This considered the appropriateness of land and property carrying values, the management recognised the valuations held to be reasonable and not subject to significant market changes or physical condition. 1 plot of land was impaired to bring the value in line with other plots at the same site.

Sensitivity analysis of land and building value:

Land And Buildings Value	Impact of 5% change	Impact of 10% change
£1.760M	+ / - £0.088m	+ / - £0.176m

- **Expected credit loss on financial assets (loans issued by SOSE)**

Accounting judgement has been used to form a basis to calculate the expected credit loss of Financial Assets. This judgement is based on limited historic trends due to SOSE's first issuing loans in 2021/22, SOSE also considers known financial information about the companies and considers whether there has been an increase in credit risk to ensure a prudent credit loss provision.

Sensitivity analysis of the current loan book:

Total loan value	Highest value loan	Lowest value loan
£1.938M	£0.876m	£0.035m

Expected credit loss	5%	10%
Change in provision	+/- £0.094m	+/- £0.187m

- **Retirement benefit obligations**

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of retirement benefit obligations.

SOSE determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligations. In determining the appropriate discount rate, the entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement benefit obligations.

The entity also determines the appropriate rate for salary inflation based on consideration of inflation and long-term assumptions in respect of salary increases.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 March *	2022/23		2021/22	
	Approximate % increase to employer liability	Approximate monetary amount £000	Approximate % increase to employer liability	Approximate monetary amount £000
0.1% decrease in real discount rate	3%	171	3%	198
0.1% increase in the salary increase rate	0%	21	0%	35
0.1% increase in the pension increase rate	2%	153	2%	161
1 year increase in member life expectancy	4%	245	4%	289

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the scheme obligations recognised in the statement of financial position.

Effects of accounting estimates and judgements

The financial statements contain estimated figures that are based on assumptions made by SOSE where there is an element of uncertainty. When forming estimates consideration is taken for historical information, trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The Statement of Financial Position of SOSE at 31 March 2023 includes the following items for which there is significant risk of material adjustment in the forthcoming financial year:

Item	Uncertainty	Effect if results differ from assumptions
LGPS Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which pay is projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. SOSE, through its pension provider Scottish Borders Council has engaged the services of Hymans Robertson actuaries to provide expert advice about the assumptions to be applied.	The impact of changes in assumptions used to calculate the pension liability has been assessed by the actuaries as described in Note 19.

2. Segmented Information

Under IFRS 8 operating segments are identified in line with internal reporting, segments will be regularly reviewed by the chief operating decision maker to monitor and allocate resources. SOSE's principal activity is economic and community development, all income and expenditure incurred is attributed directly to this activity. The Chief Executive and senior leadership team monitor expenditure by project and programme expenditure and directorate expenditure. Other expenditure is monitored separately, and income is reviewed by income source.

Segmental Information

For the period ending 31 March 2023

	2023	2022
	£000	£000
Expenditure:		
Grants, projects and strategic activity - Revenue	4,023	5,250
Grants, projects and strategic activity - Capital*	11,846	11,201
Financial Transactions - paid in year	117	2,077
Wedding Fund	-	280
Total project and programme expenditure	15,986	18,808
Financial transactions - repaid in year	(59)	(9)
Directorate expenditure:		
Place and Enterprise	6	11
Finance and Corporate Resources	637	555
Strategy & Partnerships	124	567
Net Zero	1	25
Transformation and Development	313	269
Total directorate expenditure	1,081	1,427

* Capital grants, projects and strategic activity includes;

- £0.059m capital additions for Coast to Coast project and
- £1.386m project spend on the Mountain Bike Innovation Centre

recognised in project spend in the Segmental Information but not operating expenditure on the Statement of Comprehensive Net Expenditure, these are recognised within non-current assets on the Statement of Financial Position.

Segmental Information continued

For the period ending 31 March 2023

	2023	2022
	£000	£000
Other expenditure:		
Provision for expected credit loss	87	464
Payroll expenditure	8,570	6,136
Board meeting and Board Member costs	161	153
Estate expenditure	512	578
Travel	72	21
Facilities	251	206
Collaborative partnerships	1,115	758
Tangible asset additions*	327	127
Intangible asset additions	973	63
Lease capital additions (IFRS 16)	262	-
Total other expenditure:	12,330	8,506
Total gross expenditure:	29,338	28,732
Income:		
Grants and other income	(654)	(459)
Estates income	(564)	(470)
Bank interest	(13)	-
Loan interest income	(142)	(50)
Proceeds for sale of land	-	(135)
Total other income:	(1,373)	(1,114)
Net expenditure funded by core SG income	27,965	27,618

Prior year comparatives have been mapped to the current year segments.

3. Income from operating activities

Income, which is shown net of Value Added Tax (VAT):

	2023	2022
	£000	£000
Income from activities		
Property rental	564	470
Gain on sale of land	-	39
	564	509
Other income		
Grants income	62	99
Other funding contributions*	592	360
	654	459
	1,218	968

*Other funding contributions includes funding towards Civtech and Business Gateway shared costs

4. Expenditure on operating activities

Expenditure is shown net of Value Added Tax (VAT) except where the VAT is irrecoverable:

	2023	2022
	£000	£000
Expenditure from activities		
Project expenditure	14,424	16,707
Rental properties expenditure*	512	578
Operating activities		
Directorate expenditure	484	872
Total expenditure on operating activities	15,420	18,157

*Etrick Riverside, Selkirk is occupied by both SOSE and commercial tenants. Costs have been apportioned to other management expenditure for accommodation occupied by SOSE based on the floor space occupied by SOSE.

5. Other finance (income) / charges

	2023	2022
	£000	£000
Interest receivable		
Loan interest receivable	(142)	(50)
Bank interest receivable	(13)	-
Total interest receivable	(155)	(50)
Other finance (income) / charges		
Interest income on retirement benefit assets	(143)	(71)
Interest on retirement benefit scheme obligations	245	132
Total other finance charges	102	61

6. Administration and management charges

	2023	2022
	£000	£000
Continuing operations		
Staff and board member salaries*	8,670	6,182
IAS 19 holiday accrual	48	76
IAS 19 adjustment in relation to pension service costs	1,629	1,478
Net management expenditure on staff costs	10,347	7,736
Travel and subsistence – board members	7	4
Travel and subsistence – staff	10	3
Audit fees**	177	147
Movement in provision for irrecoverable trade debts	(12)	5
Movement in expected credit loss provision	87	464
Other admin costs	1,900	1,416
Other management expenditure	2,169	2,039
Depreciation of fixed assets	164	135
Depreciation of right of use assets	39	-
Impairment of property	-	285
Depreciation and impairment	203	420
Total administration and management charges	12,719	10,195

*Details of staff and board members salaries' can be found in the Remuneration and Staff Report

**Includes fees for external audit services provided by Audit Scotland, £102,197 (2021/22 £83,392)

7. Taxation

	2023	2022
	£000	£000
Taxation per Statement Of Comprehensive Net Expenditure		
Current tax on profits for the year	-	(17)
Deferred Tax		
Origination and reversal of timing differences	22	(106)
Prior period adjustment	(117)	4
Effect of changes in tax rates	7	(32)
Total Deferred Tax	(88)	(134)
Tax per statement of Comprehensive Net Expenditure	(88)	(151)
Other Comprehensive (income) / expenditure		
Deferred tax current year charge	(10)	92
Tax per Other Comprehensive (Income) / Expenditure	(10)	92

	2023	2022
	£000	£000
Current Tax on profits for the year		
Taxable profit for the period	(395)	(328)
Tax on profit at standard UK tax rate of 19%	(75)	(62)
Effects of:		
Expenses not deductible	63	10
Gains / rollover release	-	5
Prior period adjustment	(117)	(12)
Tax rate changes	7	(32)
Deferred tax not recognised	34	-
Unrealised capital loss on land & buildings	-	(70)
Other	-	10
Tax charge for the period	(88)	(151)

Corporation tax is chargeable at 19% on SOSE's profit on business activities.

7. Taxation (continued)

	2023	2022
	£000	£000
Statement Of Financial Position		
Deferred tax asset At 1 April	43	-
Adjustment in respect of prior years	117	(4)
Deferred tax charge to income statement for year	(30)	139
Deferred tax charge in OCI for year	10	(92)
Deferred tax asset at 31 March	140	43

	2023	2022
	£000	£000
Deferred tax not recognised		
Deferred tax not recognised in year	34	-
Deferred tax not recognised at 31 March	34	-

8. Property, plant and equipment

SOSE revalue land and buildings on a triennial basis, the most recent external valuation was undertaken for year ending 31 March 2022 conducted by Montague Evans LLP, Chartered Surveyors.

The revaluation resulted in the following movements:

- an increase of £353k to land
- an increase of £21k to the building in Gretna
- a decrease of £5k to the building in Annan
- a decrease of £280k to the building in Selkirk

For the year ending 31 March 2023 Property Board reviewed the held for sale assets and carrying values and agreed the following adjustments:

- Impairment of one plot at Cargenbridge to bring valuation in line with the other plots at that site. This management judgement resulted in the following adjustment:
 - a decrease of £38k to land, offsetting the revaluation reserve
- One plot at Cargenbridge has transferred back to non-current assets as the sale has not progressed as expected.

8. Property, plant, and equipment (continued)

	Land	Buildings	Assets under construction	IT equip	Fixtures & fittings	Plant & equipment	Total
	£000	£000	£000	£000	£000	£000	£000
Cost and valuation							
At 1 April 2021	877	1,425	-	211	-	-	2,513
Additions	-	-	-	75	52	-	127
Revaluation	353	(355)	-	-	-	-	(2)
Reclassification*	(561)	-	-	-	-	-	(561)
At 31 March 2022	669	1,070	-	286	52	-	2,077
Depreciation							
At 1 April 2021	-	(41)	-	(55)	-	-	(96)
Charged in year	-	(49)	-	(79)	(7)	-	(135)
Eliminated on revaluation	-	90	-	-	-	-	90
At 31 March 2022	-	-	-	(134)	(7)	-	(141)
Net Book Value							
At 31 March 2022	669	1,070	-	152	45	-	1,936
Cost and valuation							
At 1 April 2022	669	1,070	-	286	52	-	2,077
Additions	-	-	1,386	230	152	11	1,779
Disposal	-	-	-	(167)	-	-	(167)
Revaluation	(38)	-	-	-	-	-	(38)
Reclassification*	97	-	25	-	-	-	122
At 31 March 2023	728	1,070	1,411	349	204	11	3,773
Depreciation							
At 1 April 2022	-	-	-	(134)	(7)	-	(141)
Charged in year	-	(38)	-	(101)	(24)	(1)	(164)
Disposal	-	-	-	156	-	-	156
Eliminated on revaluation	-	-	-	-	-	-	-
At 31 March 2023	-	(38)	-	(79)	(31)	(1)	(149)
Net Book Value							
At 31 March 2023	728	1,032	1,411	270	173	10	3,624

*Reclassification for land held for sale - in line with criteria in IFRS 5 where the land is actively marketed, and a sale is anticipated to complete within one year plots are reclassified to current assets - land held for sale (Note 15)

9. Financial Assets

During the year SOSE issued financial transactions funding to businesses in the form of loans.

Loans are shown at amortised cost after allowing for any expected credit loss. Impairment is measured as the difference between the carrying amount and the present value of estimated future cash flows. SOSE considers this method provides a valuation which is equivalent to the fair value.

Loans	2023	2022
		£000
Cost		
Cost at 1 April	2,083	-
Additions	117	2,077
Repayments	(201)	(44)
Disposals	-	-
Amortisation Adjustment	142	50
Reclassification	-	-
Written off*	(203)	-
Cost at 31 March	1,938	2,083
Expected credit loss		
Expected credit loss at 1 April	464	-
Additions	86	464
Utilised	(203)	-
Released	-	-
Expected credit loss at 31 March	347	464
Net book value		
Net book value at 31 March	1,591	1,619
Analysis of loans and receivables		
Due within 1 year	357	94
Due over 1 year	1,234	1,525

* An outstanding loan balance for £203k was fully provided for in 2022 when the company went into administration and has since been written off in 2022/23.

10. Non-Financial Assets

During 21/22, SOSE paid a deposit for an option to purchase Caerlee Mill in the Scottish Borders as part of the Borderlands project. In November 2022, SOSE purchased the Mill which is now recognised as an Asset Under Construction

	2023	2022
	£000	£000
Cost at 1 April	25	-
Additions	-	25
Reclassification	(25)	-
Cost at 31 March	-	25

11. Intangible Assets in Development

During 21/22, SOSE commenced work on bespoke software development, MYSOSE, a Customer Relationship Management (CRM) system scheduled for completion in 2023/24. The development costs have been accounted for as an Intangible in Development.

	2023	2022
	£000	£000
Cost at 1 April		
At 1 April	63	-
Additions	973	63
Cost at 31 March	1,036	63

12. Contingent Assets

SOSE recognise a number of off-balance sheet contingent assets that have the potential to give rise to an asset in the future but due to the nature of their uncertainty are not recognised at this point. These assets relate to repayable and convertible grants of amounts which individually are not material to the financial statements.

13. Trade and Other Receivables

	2023	2022
	£000	£000
Trade receivables	754	127
Allowance for credit loss	(3)	(15)
Prepayments	134	1,128
Other receivables	139	111
Taxation (VAT)	66	-
Total trade and other receivables	1,090	1,351

	2023	2022
	£000	£000
Analysis of trade and other receivables within boundaries for whole government accounts		
Balances with local authorities	390	0
Balance with similar public bodies	34	49
Balances with other central government bodies	218	114
Balances with bodies external to government	448	1,188
Total trade and other receivables	1,090	1,351

14. Cash and Cash Equivalents

	2023	2022
	£000	£000
Balance at 1 April	4,950	1,042
Net change in cash and cash equivalent balances	(2,086)	3,908
Balance at 31 March	2,864	4,950

15. Assets Classified as Held for Resale

In line with the criteria specified in IFRS 5, land available for sale where the sale is anticipated to complete within one year, is accounted for as a current-assets.

	2022		
	Land	Buildings	Total
	£000	£000	£000
At 31 March 2021	153	-	153
Transfer to/(from) assets held for resale	561	-	561
Other costs associated with sale of assets	-	-	-
Disposals of non current assets held for sale*	(96)	-	(96)
AT 31 March 2022	618	-	618

	2023		
	Land	Buildings	Total
	£000	£000	£000
At 31 March 2022	618	-	618
Transfer to/(from) assets held for resale	(97)	-	(97)
Other costs associated with sale of assets	-	-	-
Disposals of non current assets held for sale	-	-	-
At 31 March 2023	521	-	521

Commercial land plots under offer at business and industrial parks in Cargenbridge, Annan and Heathhall meet the specifications of IFRS 5 and accordingly have been classified as held for resale. One plot at Cargenbridge has transferred back to non-current assets as the sale has not progressed as expected.

2021/22 - One plot at Cargenbridge was sold during the year for proceeds £135k, resulting in a gain on sale of £39k.

16. Provisions

SOSE recognises a provision where an event is probable, only recognising a liability once certain. A provision has been recognised for an ongoing tribunal and associated costs incurred.

	2023	2022
	£000	£000
Opening provision at 1 April	-	-
Increase during the year	40	-
Provision utilised in year	-	-
Closing provision at 31 March	40	-

17. Trade Payables and Other Payables: falling due within one year

	2023	2022
	£000	£000
Trade payables	1,573	3,463
Accruals	1,218	637
Deferred income	78	19
Financial transaction funding due to SG	602	103
Trade payables and other current liabilities	3,471	4,222
Taxation and social security	-	42
Taxation payable	-	42
Total trade payables and other payables: falling due within one year	3,471	4,264
Analysis of trade and other payables within boundaries for whole government accounts		
Balances with central government bodies	784	1,345
Balances with local authorities	109	180
Balances with similar public bodies	316	275
	1,209	1,800
Balances with bodies external to government	2,262	2,464
Total trade payables and other payables: falling due within one year	3,471	4,264

18. Trade Payables and Other Payables: falling due after one year

	2023	2022
	£000	£000
Financial transaction funding due to SG	1,769	1,974
Total trade payables and other payables falling after one year	1,769	1,974

Scottish Government provide SOSE with funding for financial transactions, the obligation is recognised as other payable falling due after more than one year in line with loan funding receipts due to be repaid to SOSE.

	2023	2022
	£000	£000
Analysis of trade and other payables within boundaries for whole government accounts		
Balances with central government bodies	1,769	1,974
Total trade payables and other payables falling after one year	1,769	1,974

19. Retirement Benefit Obligation

Pension benefits for employees are provided through the Local Government Pension Scheme (Scotland) (LGPS), administered by the Scottish Borders Council Pension Fund (SBC).

New employees are immediately eligible and automatically enrolled into the scheme unless they choose to opt out.

The LGPS is a registered public service pension scheme under Chapter 2 of Part 4 of the Finance Act 2004. It achieved automatic registration by virtue of Part 1 of Schedule 36 of that Act (because the scheme was, immediately before 6 April 2006, both a retirement benefits scheme approved under Chapter I of Part XIV of the Income and Corporation Taxes Act 1988 and a relevant statutory scheme under section 611A of that Act). It complies with the relevant provisions of the Pension Schemes Act 1993, the Pensions Act 1995 and the Pensions Act 2004. The LGPS meets the government's standards under the automatic enrolment provisions of the Pensions Act 2008.

The LGPS is a CARE (Career Average Revalued Earnings) scheme. This means that pension benefits are worked out on the pensionable years' earnings and added to the member's accrued benefits to date. At the end of every scheme year the total amount of pension in the members account is adjusted to take into account the cost of living. The accrual rate (currently 1/49th) guarantees a pension based on career average earnings revalued annually in line with inflation based on Consumer Price Index (CPI). Normal retirement age is linked to the member's individual State Pension Age.

Contribution rates are set annually for all employees. During the period SOSE contributed 21.1% (2021/22; 21.1%) to all members of the LGPS with the employee's contribution rate dependent on individuals' rate of pay.

For employees who have transferred into the scheme, LGPS members with pre-01/04/2009 service have an automatic entitlement to a lump-sum. Members with only post 01/04/2009 service have no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004.

Pension disclosure under IAS19

The assets of the scheme are held by Scottish Borders Council Pension Fund and are invested by pension and investment managers in accordance with the members' best interests.

A triennial funding valuation was carried out on the 31 March 2020 and the results have been prepared by Hymans Robertson LLP using the projected unit credit method of valuation and roll-forward to 31 March 2023. The 31 March 2023 triennial funding valuation will take place over the year 2023/24 with the results incorporated into 31 March 2024. The triennial funds valuations establish the level of employee and employer contributions required to meet the future obligations of the scheme.

Valuation

The valuation at 31 March 2023 indicated a liability of £0.285m (2021/22; £2.97m) in the SOSE pension fund. However, it is important to note that under IAS 19 the discount rate assumptions used are low in comparison to the expected future investment return resulting in a higher liability than funding deficit position.

The required employer contribution rate is consistent with the prior year at 21.1% on pensionable salaries, rising to 21.6% on 1 April 2023.

An allowance for the following has been included within the 31 March 2020 funding valuation:

- GMP equalisation / indexation treatment
- McCloud treatment

The major assumptions used by the actuary are summarised below:

Assumptions (% per annum)	31 March 2023	31 March 2022
Rate of salary increases	3.65%	3.85%
Rate of pension increase (CPI)	2.95%	3.15%
Discount rate	4.75%*	2.75%

*The increase in discount rate is as a result of the corporate bond yield (upon which the discount rate is derived) rising over the period, leading to a 2% increase in this assumption.

The assets in the scheme and expected rate of return were:

Assets expected rate of return	31 March 2023	31 March 2022
	£000	£000
Equity securities	889	1,061
Real estate	703	652
Investment funds and unit trusts	4,073	2,383
Cash and cash equivalents	182	164
Fair value of plan assets	5,847	4,260
Present value of scheme liabilities	(6,132)	(7,230)
Net pension liability	(285)	(2,970)

The current values show a liability of £0.285m on 31 March 2023 (£2.970m on 31 March 2022).

Retirement benefit obligation

Analysis of the amount charged to SOCNE	31 March 2023	31 March 2022
	£000	£000
Current service cost	2,971	2,434
Interest income on retirement benefit assets	(143)	(71)
Interest on retirement benefit scheme obligations	245	132
Net pension scheme expense	3,073	2,495
Analysis of the amount recognised in SOCEs		
Return on assets excluding net interest	356*	(100)
Other experience losses arising on the scheme liabilities	518	13
Changes in demographic assumptions underlying the present value of scheme liabilities	(50)	(36)
Changes in financial assumptions underlying the present value of scheme liabilities	(5,240)	(727)
Defined benefit cost recognised in SOCE	(4,416)	(850)
Reconciliation of defined benefit obligation		
Opening of defined benefit obligation	7,230	5,087
Movement in year:		
Current service costs	2,971	2,434
Interest cost on defined benefit obligation	245	132
Contributions from members	458	327
Changes in assumptions*	(5,290)	(763)
Other experience	518	13
Closing of defined benefit obligation	6,132	7,230
Reconciliation of fair value of plan assets		
Opening fair value of plan assets	(4,260)	(2,806)
Movement in year:		
Contributions from members	(458)	(327)
Contributions by employer	(1,342)	(956)
Interest income on plan assets	(143)	(71)
Return on plan assets**	356	(100)
Closing fair value of plan assets	(5,847)	(4,260)
Net pension liability	285	2,970

Retirement benefit obligation (table note)

*Changes in assumptions have been materially affected by the corporate bond yield rising over the period, resulting in an increase of 2% in the discount rate assumption, leading to a gain £4.630m which is included in the overall actuarial gain of £4.416m.

** Return on plan assets includes 2022 actuals adjustment of £34k, for the movement between estimated and actual figures.

Expenditure recognised in the statement of comprehensive net expenditure

	2023	2022
	£000	£000
Net management expenditure on staff costs	1,629	1,478
Other finance charges	102	61

The total gain amount recognised in the statement of other comprehensive net income / expenditure in respect of the 2022/23 actuarial gain is £4.416m including a prior year adjustment for actuals of £0.034m. (2021/22 £0.850m)

Mortality

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 10% weighting of 2021 data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are:

	2023		2022	
	Male	Female	Male	Female
Current pensioners	20.3 years	23.0 years	20.7 years	23.3 years
Future pensioners*	21.1 years	24.9 years	21.6 years	25.2 years

*Figures assume members aged 45 as at the last formal value date

Sensitivity around key assumptions for retirement benefit obligations are based in part on current market conditions. Additional information is disclosed on page 96.

20. Right-of-Use Assets and Leases

In 2022/23 IFRS 16 became applicable and the following right-of-use assets have been recognised:

- Electric Vehicle leases brought forward at 1 April 2022 are now reported under IFRS16. SOSE has a fleet of leased electric vehicles for staff to make business journeys with zero emissions.
- During the year SOSE entered into a new 3-year lease for office space in Eyemouth. The terms of the lease offer annual break points, no extension option and 3 months' notice to terminate. Annual rent reviews will be based around RPI increases (upward only).
- Until 30 September 2022 SOSE had a MOTO with Scottish Enterprise (SE) who leased the ground floor, for 50% of the floor space at Carmont House in Dumfries, this was expensed to RDEL in year. On 1 October 2022 SOSE entered a new 5-year lease for office space in Carmont House as the main lease holder. The terms of the lease offer annual break points, no extension option and 6 months' notice to terminate. Rent reviews will be negotiated annually. SOSE have a MOTO with SE that allows SE to occupy space at Carmont generating £9k of income in 2022/23.

Right-of-use assets

	Property	Vehicles	Total
	£000	£000	£000
Cost			
At 1 April 2022	-	-	-
Transition to IFRS 16	-	24	24
Additions in year	262	-	262
At 31 March 2023	262	24	286
Depreciation			
At 1 April 2022	-	-	-
Charged in year	(28)	(11)	(39)
At 31 March 2023	(28)	(11)	(39)
Carrying amount			
At 31 March 2023	234	13	247
Lease liabilities			
Additions in year	262	24	286
Payments in year	(36)	(11)	(47)
Lease liabilities at 31 March 2023	226	13	239
Lease liabilities < 1 year	54	11	65
Lease liabilities > 1 year	172	2	174
Lease liabilities at 31 March 2023	226	13	239

Future lease payments – IFRS 16

	2022/23		
	£000	£000	£000
	Property	Electric Vehicle lease	Total
Obligations under IFRS 16 lease			
2023/24	54	11	65
2024/25	54	2	56
2025/26	51	-	51
2026/27	50	-	50
2027/29	17	-	17
Total lease obligation	226	13	239

Future minimum rentals receivable under non-cancellable operating leases

SOSE's own property in Annan, Gretna and Selkirk is available for commercial lease to third parties, managed by Colliers Property Management Limited. Ettrick Riverside, Selkirk is in part available to third parties and also occupied by SOSE for office accommodation. The below outlines all non-cancellable operating leases with third parties in relation to rent of SOSE properties.

	At 31 March 2023	At 31 March 2022
	£000	£000
	Property	Property
Receivable under operating and similar leases		
Within one year	141	201
Within two to five years	34	155
In over five years	3	-
Total receivable under operating and similar leases	178	356

21. Commitments

SOSE agree programmes (including grant funding) and strategic commitments extending beyond one financial year. The below committed expenditure is not recognised as a liability. The future of these is dependent upon successful completion of the project prerequisites (i.e. evidencing grant criteria) and will be met from SOSE's future Grant in Aid funding from the Scottish Government.

As at 31 March 2023	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£000	£000	£000	£000	£000	£000
Programme commitments:						
Capital commitments	7,179	2,006	1,019	859	690	11,753
Revenue commitments	2,231	1,306	100	100	100	3,837
Financial transaction commitments	1,648	-	-	-	-	1,648
Total programme commitments	11,058	3,312	1,119	959	790	17,238
Strategic commitments:						
Capital commitments	1,842	647	65	65	64	2,683
Revenue commitments	349	4	4	4	-	361
MTBIC commitments	7,586	6,938	1,442	-	-	15,966
Total strategic commitments	9,777	7,589	1,511	69	64	19,010
Total commitments	20,835	10,901	2,630	1,028	854	36,248

Material future years commitments:

- Dumfries High Street £1.498m
- Civtech challenges £0.726m
- Forest Holidays £2.506m
- Lockerbie Old School Community Hub £1.046m
- South of Scotland Destination Alliance (SSDA) £1.022m
- Tweed Forum Ltd £4.500m
- University of Glasgow £0.713m

As at 31 March 2022	2022/23	2023/24	2024/25	2025/26	Total
	£000	£000	£000	£000	£000
Programme commitments:					
Capital commitments	5,066	1,431	-	-	6,497
Revenue commitments	3,130	2,280	1,697	-	7,107
Financial transaction commitments	331	-	-	-	331
Total programme commitments	8,527	3,711	1,697	-	13,935

22. Transactions involving Board Members' and Directors Registered Interests

During the year, the following transactions were made by SOSE with businesses in which Board members or senior management had an interest.

Transactions where a Board member or Director had a financial interest:

Business	Amount approved in year	Amount paid (received) in year	Nature of transaction	Purpose	Board member	Interest
Censis Technology Solutions Ltd	(£180,930)	(£180,930)	Income to SOSE	Contribution to Civtech projects	Paul Winstanley	CEO
Kirkconnel and Kelloholm Development Trust	£27,600	£27,600	Grant	Carry out Market Research and create a Marketing Strategy	A Daubney (resigned 11 March 2022)	Proprietor
Laggan Outdoor Limited	£200,000	£200,000	Grant	For the capital purchase of a building Support the purchase of the Murray Arms Hotel to expand and improve the accommodation offering locally	D McConchie	Director
Scotmas	(£97,040)	(£97,040)	Loan/interest repayments	Repayment of loan issued in 2021/22	A Cameron	CEO

Organisations which received funding in the year and in which the Board members, key management staff or other related parties had a non-financial interest include:

- Biosphere
- SOS Regional Economic Partnership
- Kirkconnel & Kelloholm Development
- Advanced Innovative Manufacturing in South of Scotland
- Crichton Digital Upgrade
- SWESTRANS
- Interface
- Borders College

23. Related Party Transactions

SOSE is a Non-Departmental Public Body sponsored by the Scottish Government. The Scottish Government is regarded as a related party. During the year SOSE has had material transactions with the Scottish Government and with other entities for which the Scottish Government is regarded as the parent body.

In addition, SOSE has had a number of transactions with other Government departments, central government bodies, local government, non-departmental public bodies or similar organisations.

Transactions have taken place with:

- Scottish Government
- Dumfries and Galloway Council
- Scottish Enterprise
- Skills Development Scotland
- Her Majesty's Revenue and Customs
- Scottish Funding Council
- Highlands and Islands Enterprise
- Scottish Borders Council
- Scottish Natural Heritage
- Historic Environment Scotland
- Scottish Water
- Civtech
- Sustrans

24. Financial Instruments

SOSE has exposure to the following risks from the use of financial instruments:

1. Liquidity risk
2. Credit risk
3. Market risk

This note presents information about SOSE's exposure to each of the above risks. Further quantitative disclosures are included throughout these accounts.

The Senior Leadership Team has overall responsibility for the establishment and oversight of the company's risk management framework. The Audit and Risk Committee oversees how management monitors compliance with SOSE risk management policies and procedures and reviews the adequacy of the risk management framework in relation to risks faced by SOSE. SOSE have no derivative financial assets or liabilities.

Liquidity risk

Liquidity risk is the risk that SOSE will not be able to meet its financial obligations as they fall due. The organisation's approach to managing liquidity is to ensure that it will have sufficient liquid funds to meet its liabilities as they fall due. SOSE's primary source of liquidity is the Grant in Aid provision from the Scottish Government. SOSE has no debt or borrowing facility with any external party.

Liquidity is managed using the operating plan and by monitoring actual performance against budgets and forecasts.

The table below details the contractual maturities of financial liabilities:

	2022/23	2021/22
	£000	£000
	Within one year	Within one year
Financial Liabilities		
Trade payables and other liabilities*	3,536	4,264
	Greater than one year	Greater than one year
Trade payables and other liabilities*	1,943	1,974
Total Financial Liabilities	5,379	6,238

*includes lease liability

Credit risk

Credit risk is the risk of financial loss to SOSE if a customer or counter party fails to meet its contractual obligations and arises from financial assets and trade and other receivables.

SOSE invest in a variety of companies by issuing loans from financial transaction funding. Appropriate due diligence is completed prior to offering loan funding, in order to mitigate the credit risk associated with loan transactions.

Credit risk arising from SOSE's normal operations, including holding non-current financial assets, is controlled by individual business units and receipts from rentals are managed by Colliers International Property Consultants Ltd (Colliers).

Checks on potential tenants are conducted by Colliers in advance of them making recommendations to SOSE. SOSE use the recommendation from Colliers to make an informed decision before approving a new lease. The checks are in place to control the credit risk SOSE will have from any single counterparty.

SOSE operates a debt management process including monitoring, escalation procedures and recourse to court action to recover monies outstanding. Provision is made for doubtful receivables upon the age of the debt and estimation of collecting overdue debts.

Exposure to credit risk is likely to have increased due to the current economic climate. The maximum exposure to credit risk is represented by the carrying amount in the Statement of Financial Position.

Cash and cash equivalents are held with banks which are not expected to fail.

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position.

The maximum exposure to credit risk at 31 March was:

	2022/23	2021/22
	£000	£000
	Greater than one year	Greater than one year
Financial Assets-Non-Current Assets		
Financial assets	1,234	1,525
Financial Assets-Current Assets		
	Within one year	Within one year
Trade and other receivables	1,024	1,351
Cash and cash equivalents	2,864	4,950
Current other financial assets	357	94
	4,245	6,395
Total Financial Assets	5,479	7,920

The aging of trade and other receivables was:

	2022/23		2021/22	
	£000	£000	£000	£000
	Gross	Provisions	Gross	Provisions
Not passed due	847	-	1,316	-
Past due 0 to 30 days	154	-	10	-
Past due 31 to 90 days	10	1	12	1
Past due more than 90 days	16	2	28	14
	1,027	3	1,366	15

Market risk

Market risk is the risk that market prices such as interest rates and foreign exchange rates will affect income or the valuation of financial assets.

Interest rate risk

At the date of the Statement of Financial Position the market risk of SOSE's interest bearing financial instruments was:

	2022/23	2021/22
	£000	£000
	Within one year	Within one year
Variable rate instruments		
Cash and cash equivalents	2,864	4,950

SOSE do not believe our Financial Assets are significantly affected by market risk. During the year, the cash and cash equivalents did not receive interest. Interest receivable from cash and cash equivalents is subject to variation based on movements in the Bank of England base rate and associated interest rates. To assess sensitivity of financial instruments, assuming all other variables remain constant, a change of 100 basis points in interest rate at the time of reporting would have resulted in the below effect.

Interest rate risk sensitivity

	2022/23		2021/22	
	£000	£000	£000	£000
Cash and cash equivalents	Increase	Decrease	Increase	Decrease
31 March	56	14	30	-

Currency risk

SOSE is exposed to currency risk on transactions and balances denominated in currencies other than Sterling. Whenever practical, SOSE enters into agreements in its functional currency in order to minimise risk. At 31 March 2023, there were no balances in the Statement of Financial Position held out with functional currency.

25. Prior Period Adjustments

Statement of Comprehensive Net Expenditure	Audited Accounts	Pension costs	Restated Balance
Net management expenditure on staff costs	6,258	1,478	7,736
Other management expenditure	3,517	(1,478)	2,039

A prior year classification adjustment has been recognised in the Statement of Comprehensive Net Expenditure to reclassify pension service costs from management expenditure to management expenditure on staff costs.

26. Events after the Reporting Period

The management have considered the 2023/24 activity to date and confirm there are no significant or material events to report.



Accounts Direction by the Scottish Ministers

South of Scotland Enterprise

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in accordance with section 15 of the South of Scotland Enterprise Act 2019 hereby give the following direction.
2. The statement of accounts for the financial period from the date of establishment of South of Scotland Enterprise to 31 March 2021, and for subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FRM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts.



Signed by the authority of the Scottish Ministers

Dated 15/06/2021

Contact Us

Find out more at

www.southofscotlandenterprise.com

Or get in touch to find out how we can tailor our support to your individual needs and circumstances

www.southofscotlandenterprise.com/contact-us

0300 304 8888

To request this document in an alternative format, such as large print, different language or on coloured paper please get in touch with us .