



Annual Report and Accounts

16 October 2019 – 31 March 2021



SOUTH of
SCOTLAND
ENTERPRISE

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South of Scotland Enterprise Act 2019

Accounts of South of Scotland Enterprise (SOSE) prepared pursuant to section 15 of the South of Scotland Enterprise Act 2019, for the opening period 16 October 2019 to 31 March 2021. Together with the independent auditor’s report to the members of SOSE, the Scottish Parliament and the Auditor General for Scotland.

Performance Report

Chair's Foreword

The first year of South of Scotland Enterprise (SOSE) is one which no-one could ever have predicted.

The challenges brought by Covid-19 meant we have had to balance focusing our resources to help those in need while making sure we don't lose sight of the future. This has been no easy task, but I am very proud of what we have delivered for our businesses and communities across the South of Scotland to date.

Our first Annual Report gives you an insight into our work; all of which reflects our vision to establish the South of Scotland as the centre of opportunity, innovation, and growth.

As well as providing millions of pounds to many hundreds of businesses and communities in year one, we have also started to make some bold decisions on key strategic partnerships and take forward work behind the scenes to make sure we never lose sight of our ambition for the South.

However, we all have to remember that we are a development body and not just a funding one, so it is not only financial support that we have provided. We continue to provide a huge amount of non-financial support and expertise to anyone who may need it to achieve their objectives based on their individual circumstances. We would never want to lose sight of this as it is equally as important and in many cases - that small amount of help often leads to an impact far greater than would be imagined, so it is something we are proud of and will continue to make sure we do.

Our Board first met virtually on 12 March 2020, just a week after we announced the appointments.

The urgency and pace of our work from the very start has been vital to ensure we do what's required to help respond and recover from Covid-19 and drive forward our collective vision.

Since our first meeting, our Board has shown true commitment and passion for the region. They have brought vital knowledge and experience to help make important decisions and set our strategic direction as well as getting their sleeves rolled up when required. This, combined with the dedication and hard work of our staff, has made SOSE's first year a successful reality and I'm grateful to everyone.

During the extensive consultation as South of Scotland Economic Partnership (SOSEP) which paved the way for SOSE, we know that the people of the South of Scotland want us to be different.

We know they don't want us to do what might be 'expected' or has been done traditionally, but more to always consider individual situations and solutions as well as seeing the bigger picture. I think our first year has shown that we have done that in practice.

We are very proud of what we have delivered so far for the South, and our message to anyone who may have an idea or need support is very clear - **come and talk to us.**

I look forward to the year ahead where we are firmly focused on our ongoing plans to listen, be innovative, different and deliver for the South of Scotland.



Professor Russel Griggs OBE
Chair, South of Scotland Enterprise



Professor Russel Griggs OBE
Chair,
South of Scotland Enterprise

Chief Executive's Foreword

When I look back at what SOSE has achieved in its first year, I am really delighted to be part of SOSE and to pick up the mantle from Nick Halfhide. We have something unique for the South and the time really is NOW for the South of Scotland. We are a team who are passionate to do what's right for the region, and our core values are at the heart of everything we do.

No one ever could have predicted our first year would have been in the middle of a global pandemic. We went live as the South of Scotland's economic and community development agency on 1 April 2020 just after the whole of the UK had gone into lockdown.

At that point, we had a small team of 15 members of staff who immediately focused their efforts on adding to the partnership response to Covid-19. Our staff have gone above and beyond from day one – putting their heart and soul into all that they do.

We have made it our mission to make sure as many people access the support they need quickly and easily as well as look ahead strategically to the future of the region.

Forming 'Team South of Scotland' with Scottish Borders Council, Dumfries and Galloway Council and other key partners has been vital to support the response in a way that best serves the needs of communities and businesses across the region. It has allowed us to ensure our resources best complement and add to the local and national support in a way that supports the unique challenges of the South.

We have distributed millions of pounds worth of support across the region both to businesses and communities. This funding has helped both in terms of helping those in crisis, but also to help those with innovation, expansion and support at a crucial time.

While we have distributed vital funding in our first year, we continue to strive to be seen not only as a funding agency. We want to be seen as an agency that is flexible, adaptable and skilled in also providing non-financial support and expertise to anyone who may need it to achieve their objectives based on their individual circumstances.

We have grown to a fantastic team of over 80 individuals and as we continue to grow, we have more capacity to move from responding to the impact of Covid-19 to support our vision to establish the South as the centre of opportunity, innovation and growth.

We firmly believe that we can support the region coming out of this pandemic and look towards a positive future through supporting our full eco-system. This includes enabling entrepreneurship, supporting our young people, creating jobs to attracting businesses to set up here, encouraging innovation, rolling out Fair Work and supporting the environment and journey to Net Zero.

We know the importance of all of this and are firmly focused on doing what is needed to deliver. Our core values of being bold, striving, inclusive and responsible remain embedded in all we do. We are proud of them and continue to ensure these values are reflected throughout all our work.

We have a passionate, committed and extremely experienced SOSE Board, whose membership encapsulates all key sectors crucial for our economy.

As we arrive at the end of SOSE's financial year we are also proud of our financial planning and position at year end despite exceptionally challenging circumstances.

The 'bottom-up' budgeting approach that we utilised to formulate our 2021/22 budget involved colleagues in all directorates. This approach allowed us to set our budget on the needs and aspirations of SOSE, rather than having our plans dictated by the available resource. By successfully delivering on this approach, we are providing confidence to Scottish Government that we are effectively planning our budget and delivering real value to the communities and businesses in the South.

This allows us to continue with our aim of becoming the engine of economic growth and recovery for the South of Scotland, through working with our communities, businesses and partners across the region.

I believe our annual report reflects the scale and depth of work that has been undertaken.

I want to take this opportunity to thank everyone who has played a part - from our staff, Board members, partners, and everyone who we have been fortunate enough to work with, because without your support it would not have been possible.

We are proud of our achievements so far, but we know there is so much more to do. Despite the difficulties brought by Covid-19, we are firmly focused on a future that is bright for the South of Scotland. We are not here to do what might be 'expected' but to listen, be innovative, different and deliver for the South of Scotland, and be bold in how we do that.

I look forward to the year ahead and truly believe that 'Success Starts Here' in the South of Scotland.



Jane Morrison-Ross
Chief Executive, South of Scotland Enterprise



Jane Morrison-Ross
Chief Executive,
South of Scotland Enterprise

Overview: About SOSE

Who we are

SOSE is a new economic and community development agency specifically set up for the South of Scotland, to bring a fresh approach to making things happen. We are FOR the South, BY the South and IN the South.

SOSE was established through the South of Scotland Enterprise Act 2019, with the initial six months to March 2020 dedicated to the set-up of the Organisation. During this period an Interim CEO was secured along with the appointment of all four directors who report to the CEO and Board. A strategic plan was established to outline recruitment of further employees. The current directorate structure and delivery model is being reviewed and will take further shape during 2021/22 to ensure the most efficacious delivery mode going forward.

During the establishment period infrastructure including Facilities, HR, Finance and IT were developed and set-up to enable start-up, including collaborative partnerships with SE and HIE for shared services. A number of ongoing projects with Scottish Enterprise (SE) and South of Scotland Economic Partnership (SOSEP) transferred over to SOSE's management and the agency gained full funding powers from 1 April 2020. Property was transferred on 1 June 2020. All Economic Development activity occurred in the financial year 2020/21.

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 drive inclusive growth, increase competitiveness and tackle inequality within the region.

Our mission

Our MISSION is to work together with people across the South of Scotland to grow its economy in a just and sustainable manner. We will provide investment, expertise and mentoring to people and businesses and by doing so, we will inspire the region to think bigger and unlock 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"

Overview: How We Are Different

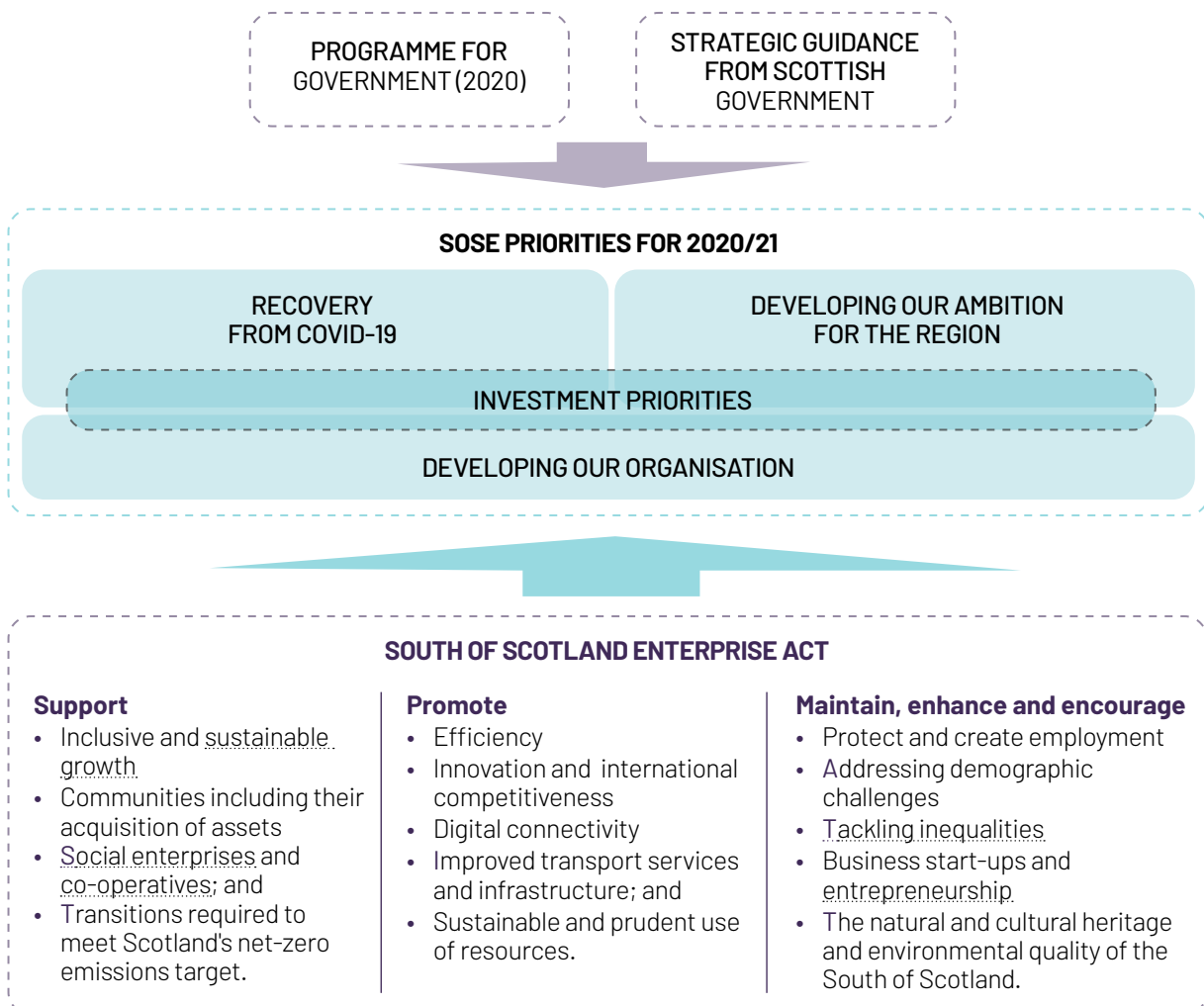


Overview: Our Priorities Across 2020/21

In our 2020/21 Operating Plan we set out our immediate priorities, as follows:

1. Recovery from COVID-19
2. Developing our Ambition for the Region
3. Developing our Organisation
4. A set of Investment Priorities to underpin the above.

We undertook to align the above priorities, set in our Interim Letter of Guidance given during the start of the pandemic with the range of asks from Scottish Government, aligning them to operational priorities noted in the diagram below. The aim of this was to create a linkage from the National Performance Framework and our Act to deliverable actions. This section presents a visual and succinct overview of each of our priorities linking to many themes set out in the National Performance Framework, and to SOSE’s strategic and operational activities on an annualised basis.

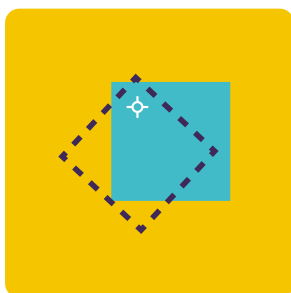


Our 2020/21 priorities and how we arrived at them

Performance Summary: Recovery from COVID-19

Our interim annual strategic guidance letter from the Scottish Government set out that our primary focus for the financial year (2020/21) was to do everything we could to help the South of Scotland respond and recover from the impacts of COVID-19.

To do this, we administered a range of Scottish Government funds to help businesses manage the financial impacts of the COVID-19 crisis, leading on the establishment of the Scottish Wedding Industry Fund in collaboration with Scottish Enterprise and Highlands and Islands Enterprise.



Pivotal Enterprise Resilience Fund

to support viable but vulnerable SME firms which are vital to the local, regional or Scotland's economy

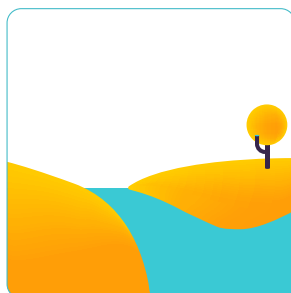
Total funding awarded:

£10,923,248

* funds administered and paid directly by SE

Number of businesses supported:

167



Creative, Tourism and Hospitality Enterprises Hardship Fund

to support smaller companies in tourism, creative industries and hospitality experiencing immediate hardship, due to ineligibility for other COVID-19 Government grant support

Total funding awarded:

£1,130,539

* funds administered and paid directly by SE

Number of businesses supported:

110



Hotel Recovery Support Programme

to help protect sustainable employment in the medium term within larger hotels in Scotland

Total funding awarded:

£847,544

Number of businesses supported:

7



Scottish Wedding Industry Fund

to help as many businesses as possible operating in the Scottish wedding industry – and their supply chain – to survive the current COVID-19 pandemic and then restart once restrictions ease

Total funding awarded:

£1,700,000

Number of businesses supported:

170

CASE STUDY

Scottish Wedding Industry Fund Roulotte Retreat

SOSE supported 170 businesses with £1.7m funding issued through the Scottish Wedding Industry Fund.

Avril Berry and Alan Fraser have hosted elopements and small weddings at their French Roulottes and Gypsy Bowtop near Melrose in the Scottish Borders since 2014.

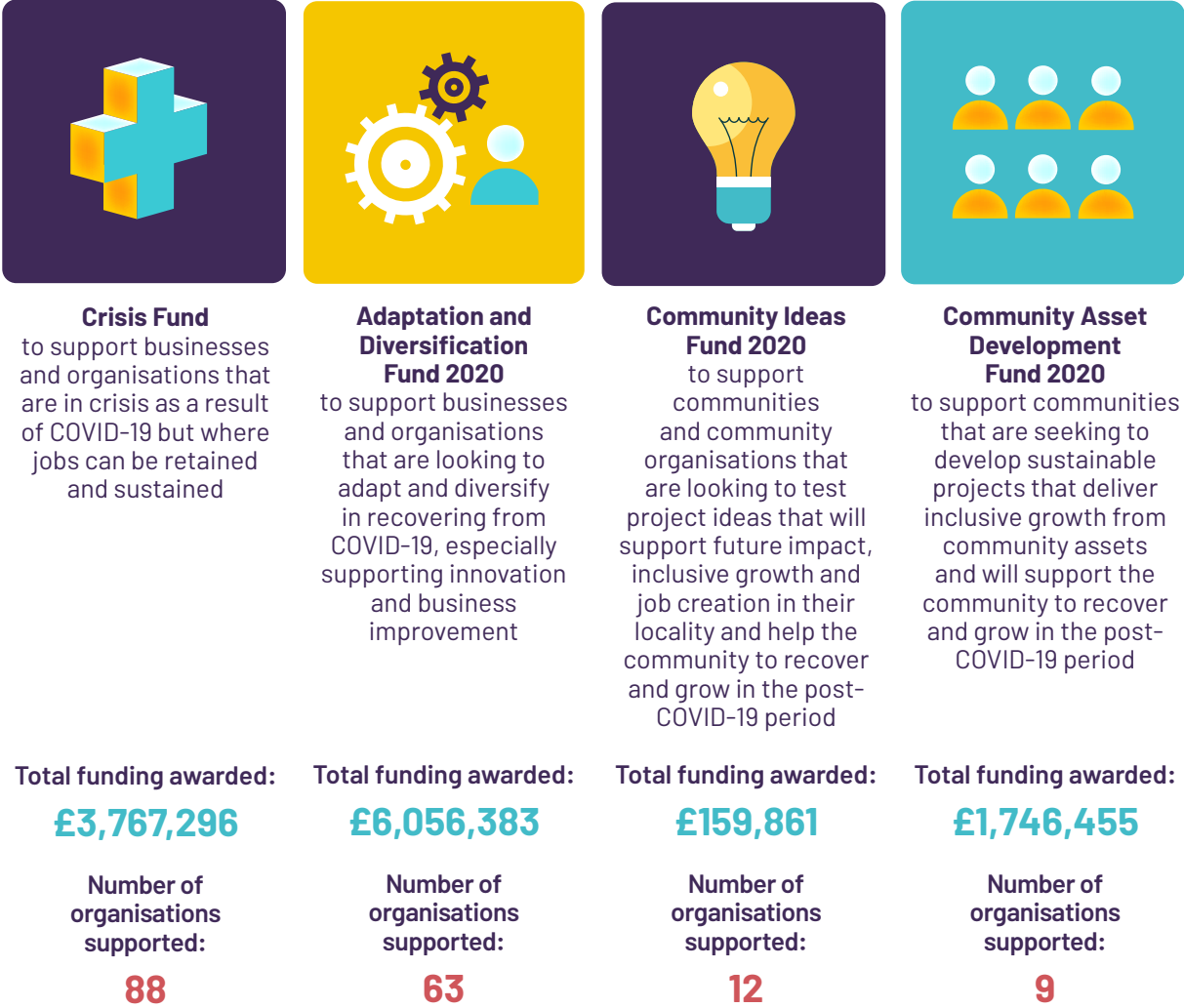
Over 20 couples were booked to tie the knot at Roulotte Retreat in 2020 but COVID-19 restrictions meant only four ceremonies went ahead.

Avril Berry said: *"The support from the Wedding Fund certainly helped us after the cancellations we experienced in 2020.*

"We appreciated the way SOSE took the time to talk through the claim, listening to the impact COVID-19 was having on our business as well as being diligent in checking out all the necessary information and ensuring they had all the facts required for the application.

"An important aspect for us about the process was the personal touch - we had a named person to deal with who took the time to understand our business and our application."

To complement national funds, SOSE created and administered a number of its own funds to support businesses, communities and other projects in the South of Scotland to navigate the COVID-19 crisis as well as position themselves for recovery.



In addition, some of our funding (£1,603,915) was directed towards partnerships, programmes and projects that were not directly related to COVID, including key activities and projects inherited from the South of Scotland Economic Partnership (SOSEP), and other strategic investments to build the future potential of the region. These include the establishment of the South of Scotland Destination Alliance (SSDA) and investment in the Advanced Innovative Manufacturing Services (AIMS) project, a multi-partner approach led by Dumfries and Galloway Council to support businesses across the region to develop innovative manufacturing techniques and invest in new products.

The funding information can be found in the segmental reporting note to the financial statements on page 97.

SOSE also established an Economic Recovery Loan Fund, to support businesses and organisations that needed flexible models of finance to adapt and diversify to respond to the COVID crisis and kickstart their recovery. However, we found this year that the majority of businesses have been focused on survival and/or cautious adaptation and recovery activities. Consequently, we have seen limited appetite from clients this financial year, however we expect to see a greater desire for loan funding in future years and are developing our future approach and processes to respond to this.

Across 2020/21 we assisted over **700** business clients and community clients through providing **one to one, tailored advice and support**

Our own funds enabled:



A critical part of our role as an economic and community development agency is to provide development support for the region, not simply funding. This year through our one-to-one engagement, advice and support we assisted over 700 businesses, communities and projects to find information, access relevant support, develop ideas, make changes, improvements and investments to strengthen their operations and prepare themselves for future recovery and growth. This is a key part of our work to drive the economic, social and environmental development of the South of Scotland.

CASE STUDY

Tweeddale Youth Action

Tweeddale Youth Action is a registered Scottish Charitable Incorporated Organisation located in the Tweeddale area of the Scottish Borders and supports young people to access advice, develop skills, confidence, a sense of belonging and responsibility within the community.

SOSE first started engagement with the group through joint locality-based working with Scottish Borders Council. From the initial discussion it was clear there were some areas of support that SOSE could provide - from community asset development, to market research and business and recovery planning.

Tweeddale Youth Action is undertaking market research to find out what their users need and to measure interest in their diversification ideas. The charity is also in the process of developing their strategy to assist young people into training, work or business and are exploring various tourism and food and drink strands to understand their place in the overall market.

SOSE has also linked Tweeddale Youth Action to external partners and wider agencies to widen their reach and access new opportunities. All of this work around research, policies and strategies will help Tweeddale Youth Action target funders for assistance.



Performance Summary: Developing our Ambition for the Region

The opportunity was taken across our first year to look beyond the immediate priority of responding to the impacts of COVID-19, to begin establishing a clear and shared set of priorities, for the short and longer term, as part of developing SOSE's strategic response to recovering and growing the South of Scotland's economy.



Over the past year, SOSE has, working closely with the region's two Councils, provided the leadership and vital support needed to **establish the South of Scotland Regional Economic Partnership (REP).**



The REP's priority has been to progress the **South of Scotland's first ever Regional Economic Strategy**, with SOSE directly supporting this effort through: procuring the additional support needed; project managing the strategy development; and leading on facilitating engagement and communications.



In December 2020, we published '**Have Your Say – Our Framework for Engaging you**' setting out key principles and pledges we will follow when engaging with those who live, work and operate across the South of Scotland.



SOSE has been an important advocate for the South, adding our voice and influence in aiding the development of national policy – **having responded to 10 national consultations.**



Understanding Opportunities – We have led in better understanding a number of significant opportunities facing the region, including the work of the **South of Scotland Energy Transition Group** as well as our work on establishing a **Natural Capital measurement approach.**



The decision was taken to defer production of our first **Action Plan**, embracing the opportunity to align with the emerging RES and our strategic planning cycle with our Enterprise and Skills Board partners.

Performance Summary: Developing our Organisation

SOSE is a vibrant and committed team of people who are focused on the economic development of the South of Scotland. We want to build on the incredible natural capital and traditions of the region to develop the South of Scotland further as a place to live, study, raise families and work.

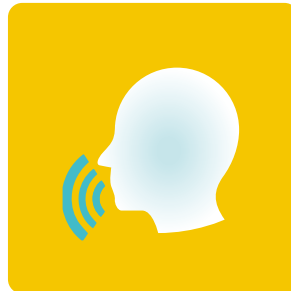
SOSE's strength is in our people, individual's skills, knowledge, energy, and commitment are the core of the agency. We make a difference through being different. Different in how we work with businesses and communities; different in how we look at opportunities and different in how we work as a team.



We are a vibrant and committed team of people focused on the economic development of the South.



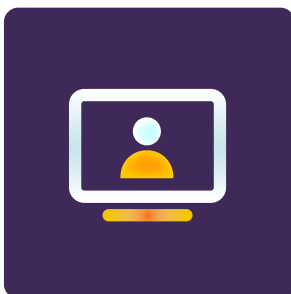
We have four key values to be inclusive, responsible, striving and bold.



We have been a flexible employer from the start and do what's right for our people.



We are proactive and advocates for making sure that people are at the heart of every decision we make.



Our digital equipment and applications have stood up to demands of lockdown.



Staff number increase.

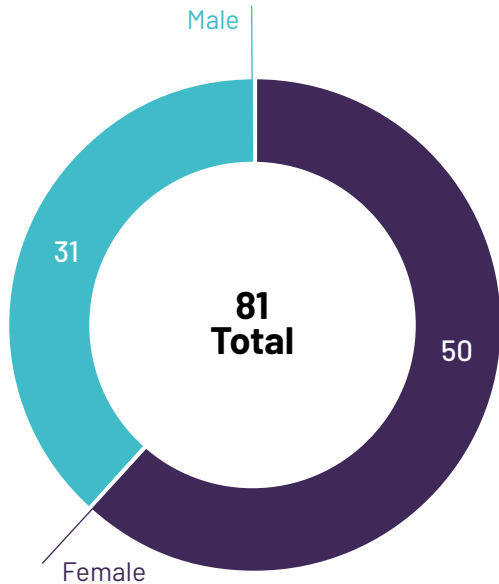


We have attracted individuals from a range of backgrounds that widen the range of perspectives, knowledge and skills within SOSE.

People Demographic as at 31 March 2021

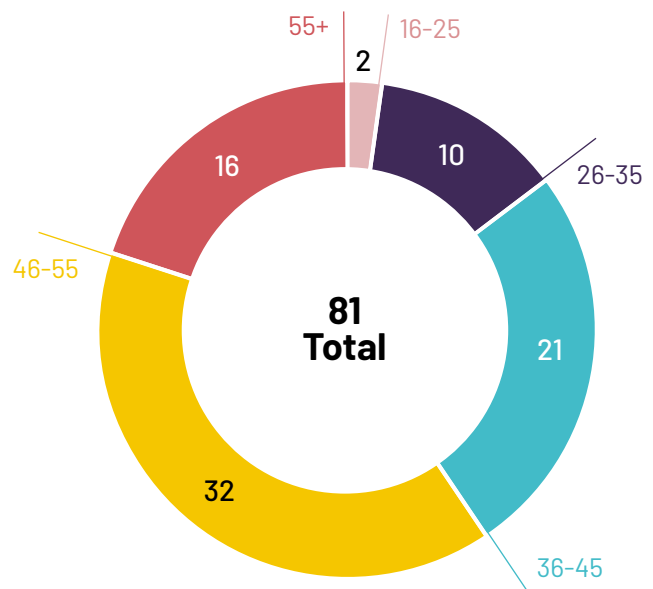
Gender Split

Our gender split is:



Age Distribution

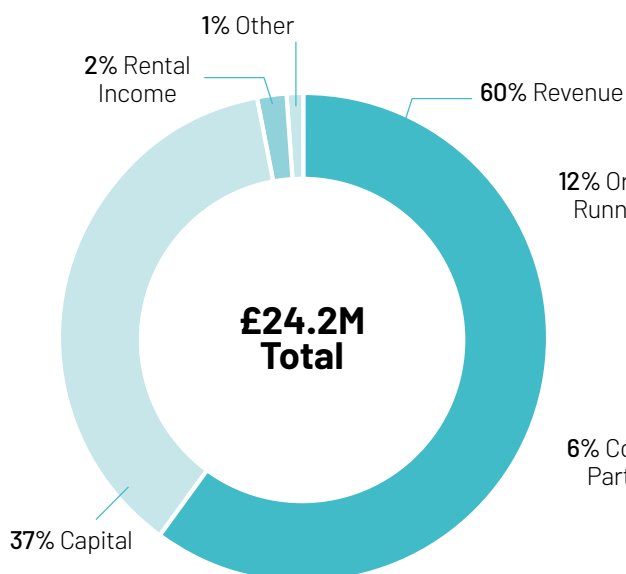
Our Age Distribution is:



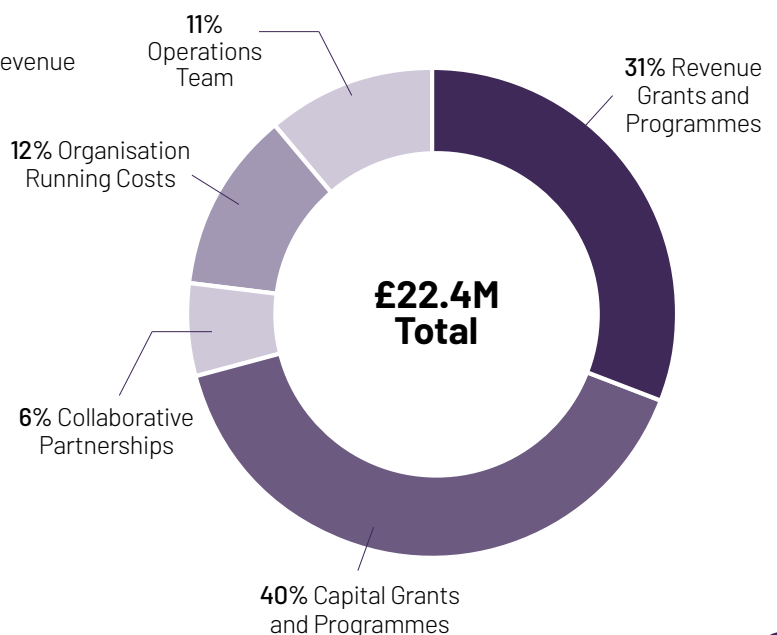
Financial Performance

The graphs below detail the income and expenditure which ties in with the Parliamentary Accountability Report detailed on page 77. Income includes Grant in Aid from Scottish Government as well as other sources, these are detailed within note 2 to the accounts, page 97.

Income



Expenditure



Performance Analysis

SOSE's performance in our first year reflects our priority focus on COVID-19 response and shows that, despite the pandemic and the fact that we are a new organisation, we have started to deliver positive impacts for the South of Scotland.

As we continue to develop our organisation in our first few years and set out our strategy and Action Plan we will build and report on a wider set of impact and performance measures that reflect our remit to further the sustainable economic, social and environmental development of the region.

COVID-19 Response

During our first year our key priority for support and funding was to help mitigate the impacts of COVID-19 for businesses across the South of Scotland. We worked at pace to design and deliver a range of national cross agency funding for vulnerable businesses, ultimately supporting over 600 businesses to navigate the financial impacts of the crisis.

Every case was rigorously appraised by trained assessors against criteria set nationally and every successful application passed eligibility checks and was able to demonstrate a clear need for crisis funding as well as its vitalness to the South of Scotland economy.

Through our own funding, we were able to support an additional 88 businesses to sustain operations and retain jobs through the COVID-19 pandemic. In addition, we supported 63 businesses to adapt and diversify operations to position themselves for recovery once restrictions are lifted and trading starts to return to normal.

Brexit Readiness

In addition to the uncertainties created by COVID-19, many businesses across the South of Scotland equally had to contend with uncertainties leading up to and following the end of the EU Exit transition period. Along with partners, SOSE launched a Brexit readiness campaign, proactively using digital media and radio to maximise reach. We undertook an impact survey and engaged with businesses and representative organisations - feeding in what we heard to national groups to help ensure the national response was alive to rural issues.

A Voice for the South of Scotland

In our first 12 months we have been an important advocate for the South, adding our voice and influence in responding to and aiding the development of national policy. Having responded to 10 formal consultations, we have sought to ensure that key emerging national plans such as the National Planning Policy Framework 4; Scotland's National Infrastructure Plan; and work on Scotland's Heat and Buildings Strategy are alive to rural Scotland's needs and specifically the South of Scotland's circumstances.

Regional Leadership and Vision

Working closely with the region's two Councils over the past year, SOSE has provided the leadership and vital support needed to **establish the South of Scotland Regional Economic Partnership (REP)**. The REP provides a forum for bringing together representatives from a wide range of organisations, sectors and groups who are based in, or work across the South of Scotland. It has a collective ambition to deliver a clear and compelling long term vision for the economic success of the South of Scotland. It held its first virtual meeting on 18 September 2020, and met 8 times across 2020/21.

The immediate focus of the REP has been the production of the **South of Scotland's first ever Regional Economic Strategy (RES)**. This reflected the need for a clear 'South Star' for the region and to enable economic recovery planning to be embedded within the context of longer-term strategic ambitions. The development of the strategy built on work of the South of Scotland Economic Partnership and the extensive engagement undertaken in preparation for the establishment of SOSE. SOSE provided lead support in progressing the strategy: procuring the additional support needed; taking on project management and led on engagement and communications efforts.

Collaborative Working – Team 'South of Scotland'

SOSE is committed to a "Team South of Scotland" approach to developing our region and to collaborating with partners to drive forward key programmes and initiatives that help to achieve their strategic ambitions. Meeting regularly, the opportunity has been taken to pool intelligence and work collaboratively, leading to a better understanding of the impacts on our region of the EU exit, the Covid-19 pandemic and other external influences – supporting our own and partner interventions.

Borderlands Inclusive Growth Deal

This year we have contributed to the development of the Borderlands Inclusive Growth Deal programme, led in the South of Scotland by Dumfries and Galloway Council and Scottish Borders Council, and formally signed in March 2021. We have focused on specific projects where SOSE can add value including 7 Stanes, Destination Tweed and the Mountain Bike Innovation Centre.

Unlocking more through long term collaboration

Across our first year, we have acted to deliver a step change in partnership working across the South, recognising the importance of establishing and sustaining long term relationships with sectors, organisations, businesses and communities that are vital to a vibrant and prosperous future economy for our region. Our ability to take a longer term 'more patient' view and, in the right circumstances, to shoulder a greater degree of risk than has been possible by the public sector in the past, creates the conditions needed to think bigger and to unlock new opportunities and benefits that can be delivered through a long-term commitment to collaboration.

Examples of this across 2020/21 include our five-year financial commitments to both South of Scotland Destination Alliance (SSDA) and the Galloway and Southern Ayrshire UNESCO Biosphere, with collaboration extending far beyond core grant funding. Other examples include our commitment, often alongside other key partners, to the Mid-Steeple project in the heart of Dumfries Town Centre; the Advanced Innovative Manufacturing Services (AIMS) project; and the community driven Langholm Initiative.

Looking ahead we see a key role for ourselves in helping to connect strategic partnerships and projects, maximising synergies, joining up opportunities and ultimately ensuring that through doing so we can realise greater benefits above and beyond which each on their own would deliver.



Cross Agency Collaboration and Coordination

The Enterprise and Skills Strategic Board was created by the Scottish Government in response to the Enterprise and Skills Review. It is managed by the Scottish Government and its objective is to align and co-ordinate the activities of Scotland's enterprise and skills agencies, including Scottish Enterprise (SE), South of Scotland Enterprise (SOSE); Highlands and Islands Enterprise (HIE), Skills Development Scotland (SDS) and the Scottish Funding Council (SFC). SOSE has and continues to proactively collaborate on a number of fronts with these other agencies

Existing areas of cross-agency collaboration and shared services

Collaboration in service delivery	HIE	SE	SDS	SFC	SOSE
Find Business Support	✓	✓	✓		✓
Support for Inward Investors	✓	✓	✓		✓
Skills Alignment			✓	✓	
Data and Insights work (e.g. joint CRM, Brexit & Covid data sharing)	✓	✓	✓	✓	✓
Strategic and Business Planning	✓	✓	✓	✓	✓
Business Support Partnership	✓	✓	✓		✓
Business Support Campaigns (e.g. Covid and Brexit responses)	✓	✓	✓	✓	✓
Rapid Response Unit (support for companies at risk)	✓	✓	✓		✓

Shared corporate services	HIE	SE	SDS	SFC	SOSE
Enterprise Information Services (EIS)	✓	✓	✓		✓
Internal Audit		✓	✓	✓	✓
Services for SOSE (Business support, some HR and Finance functions)		✓	✓		✓

Place and Inclusive Growth

For the South of Scotland, Inclusive Growth means ensuring that all people and places across the region feel the benefits of, and are able to contribute to, our growing economy. To date we have built this into our approach through our funding appraisals, through a focus on Fair Work and by prioritising funding requests that will have a significant impact on their local community (such as through the safeguarding or creation of jobs) or will create economic benefits for a vulnerable area of the South of Scotland.

We are developing a place-based approach to service delivery, which this year has focused on understanding the landscape and building relationships with local partners so we can coordinate activity and ultimately improve the impact of combined resources and investment in local places across the region.

SOSE's Strategic Action Plan

Our first Operating Plan set out our ambition to prepare and publish **SOSE's first strategic plan – our Action Plan** – ahead of our second year. In looking 3 – 5 years ahead, the role of our Action Plan is to set out SOSE's focus and priorities, making clear how our efforts will contribute to realisation of the vision set for the South of Scotland through the Regional Economic Strategy, as well as contribute to national ambitions.

The decision was taken to defer publication of the Action Plan until April 2022, embracing the opportunity for greater alignment in sequentially following the RES. Aiming to publish the Action Plan in 2022 also affords an opportunity to align SOSE's strategic planning with Scotland's other Skills and Enterprise agencies, enabling bottom up place distinctive efforts to be progressed within a framework which sees them meaningfully and consistently contribute to national objectives.

In readiness for developing SOSE's Action Plan and in supporting increased activity as the capacity of the organisation grows, **we published our 'Have Your Say – Our Framework for Engaging you' in December 2020**. It sets out a framework of key principles and related pledges we will follow to formally engage with the people who live, work and operate across the South of Scotland – reflecting that listening and acting on what we hear goes to the heart of our activities. Following these principles will ensure that we engage consistently and effectively with the right people at the right times in a manner which follows best practice and is true to our core values of being inclusive, responsible, bold, and striving.

Just Transition to Net Zero

SOSE is committed to working with businesses, communities and partners across the South of Scotland to deliver sustainable development and support the transitions required to meet the net-zero emissions target (as defined in section A1 of the Climate Change (Scotland) Act 2009). In our first year we have focused on engaging clients in conversations about Net Zero and requiring consideration of Net Zero in funding appraisals. In future we will build on this initial work by upskilling all staff with the knowledge, confidence and tools to support clients to take action towards Net Zero and by monitoring client engagement in new practices that support the transition.

We committed £1.9m over five years towards the Galloway and Southern Ayrshire UNESCO Biosphere. The funding from SOSE will allow the UNESCO Biosphere to increase activities around its four key strategic objectives of Climate and Adaptation; Land-use and Biodiversity, Research and Learning, and Sustainable Development, widening its reach and impact.



CASE STUDY

The Galloway and Southern Ayrshire UNESCO Biosphere (GSAB)

The Galloway and Southern Ayrshire UNESCO Biosphere (GSAB) was designated in July 2012 by UNESCO and is international recognition of SW Scotland as a world class environment for people and nature.

Covering parts of South and East Ayrshire as well as Dumfries and Galloway - it is home to 95,000 people who want to make life better while caring for the natural environment.

SOSE has committed to providing GSAB £1.9m over 5 years - demonstrating our commitment as an organisation to long term collaboration.

This funding will provide valuable support and assist the organisation to grow faster, strengthening their standing as a key influencer in the region and helping them achieve their sustainability ambitions.

The funding will also help create full time jobs as well as bringing a range of economic, community and environmental benefits to the area.

SOSE also acted in autumn 2020 to bring together diverse partners across the public, private, education and third sectors, forming an Energy Transition Group to explore the opportunities and challenges and to identify actions required to ensure that South of Scotland is able to capitalise on its energy resources and create good and green jobs. 'Powering Change - Calling the South of Scotland to action' sets out the results of the work of Group, setting out a vision, initial findings and actions across six core and interlinked themes: Leadership and an aligned vision; Decarbonising heat and travel; Transmission and distribution infrastructure; Education and skills; Green jobs and supply chains; Community and a just transition. The report also acted as a catalyst and call to action for the regions businesses and organisations to embrace energy related opportunities.

In recognition of the regions unique and diverse natural capital offer, and its significant potential to assist our Just Transition to Net Zero as well as a foundation for future economic growth, we have commenced work on establishing a Natural Capital measurement approach that will allow us to assess the quantity and quality of the resources available to us and provide a framework for appropriate and consistent future decision making.

Fair Work

Fair Work – work that offers all individuals an effective voice, opportunity, security, fulfilment and respect – is a key component of an inclusive and fair economy. SOSE is the first agency in Scotland whose legislation references Fair Work, and we are committed to championing and driving Fair Work practices across the region. This year we asked all businesses approaching us for funding about their existing knowledge and practice of Fair Work, to evidence how their organisation is addressing the Fair Work agenda, to identify where improvements can be made and to work with SOSE staff to embed further Fair Work practices into their operations. Through this process, we raised awareness of Fair Work amongst our business base, uncovered organisations that are already leading the way, and helped others to start on their Fair Work journey.

From next year we will take an even bolder approach to delivering the Government’s vision for Scotland to be a leading Fair Work Nation by 2025, by attaching Fair Work First criteria to all of our grants, procurements and other funding. We will require every business and community organisation that we work with to assess their current position in relation to Fair Work and commit to specific actions and measurable progress on their Fair Work journey.



Inward Investment

Our inward investment work looks at promoting the benefits of setting up business in the South of Scotland to organisations outside of the region and supporting businesses and other organisations to access the information, facilities and talent they need. This year we have provided local insight and information in response to a range of enquiries and worked with partners such as Scottish Development International and the Councils to support their work in this space.

Preparation has begun on a future Inward Investment Plan, which will detail how SOSE will respond to future enquiries and the proactive activity we will undertake to attract specific types of business to the area.

Innovation

Business innovation activity in the South of Scotland is lower than the Scottish average, sitting at £50 per head compared to £198 per head in Scotland as a whole. We want to establish the region as a centre of innovation. This year, we have supported a range of businesses with new innovation activity, including Hilltop Leaf Limited, a private Medicinal Cannabis cultivation and extraction business which aims to provide an alternative plant based clinical treatment to synthetic pharmaceuticals.

SOSE has also committed £1.2m to the Advanced Innovative Manufacturing Services (AIMS) project, a multi-partner approach led by Dumfries and Galloway Council to support businesses across the region to develop innovative manufacturing techniques and invest in new products.

In order to better understand innovation in the South of Scotland, SOSE is working with the Scottish Government, Highlands and Island Enterprise and Scottish Enterprise, on an international comparator project on rural innovation, being progressed by the Organisation for Economic Cooperation and Development (OECD). The project seeks to address the issues that rural innovation is not well understood, not well measured and consequently policy interventions are not as effective as they could be. Due to conclude in 2022, this international learning will help inform our future strategy and interventions.

Supporting enterprising communities

SOSE has a clear remit and ambition to support community wellbeing, cohesion and prosperity across the South of Scotland. We want to do this by supporting community organisations, social enterprises and other inclusive business models to develop ideas, projects and services that respond to identified needs and create impact and aim to be sustainable and in the long term.

This year our focus was on starting to get to know the community landscape and on supporting ideas and community asset acquisition or development projects which could move forward in the short term.

In line with our commitment to community ownership we provided funding to 9 community organisations to acquire or develop assets to provide services and impact for their communities. This included the Langholm Initiative's acquisition of the 'Langholm Moor', the first large-scale purchase of this type in the South of Scotland.

We also supported a further 12 organisations to initiate, test and take forward new ideas that will lead to positive impact in future and engaged with over 100 organisations to provide one-to-one support, specialist expertise and facilitating and brokering support from other partners.

Tourism

The tourism and hospitality industry is vital to the South of Scotland. In 2020 SOSE committed just over £2.7m over five years to support a new tourism, marketing and destination development programme to be delivered by a new industry-led leadership body called South of Scotland Destination Alliance (SSDA). SSDA will lead the delivery of a clear tourism strategy for the region, supporting the best possible recovery plan for the sector and the wider economy of the South of Scotland, with the aim to make the region a world-class visitor destination attracting people to live, work, visit and invest in the area for many years to come.

CASE STUDY

South of Scotland Destination Alliance (SSDA)



SOSE announced its first major investment programme in July 2020, providing a vital funding package to support the recovery and future of the economy in the South of Scotland.

SOSE committed just over £2.7m over five years to support a new tourism, marketing and destination development programme to be delivered by a new industry-led leadership body called South of Scotland Destination Alliance (SSDA).

The announcement came at a crucial time as businesses and communities prepare for tourism reopening following COVID-19. It also confirms SOSE's commitment to look beyond Covid-19 to the future growth and sustainability of the economy of the South of Scotland with the aim to make the region a world-class visitor destination attracting people to live, work, visit and invest in the area for many years to come.

SOSE and Team South of Scotland partners also supported the SSDA's new 'South of Scotland Twinned with Tourism' Community Promise launched in July by the SSDA.

The promotional film and materials were created to help reassure local communities that tourism businesses are reopening safely and respectfully; and that communities in turn, can help businesses welcome visitors back.



Creating the Culture and Systems that make SOSE work

We knew from the start that we needed to create the right culture, policies, processes, working environment and digital systems to make SOSE work. We are proactive and advocates for making sure that people are at the heart of every decision we make.

Our digital footprint has stood up to the rigours and demands of the pandemic lockdown where our small but perfectly formed Digital team have ensured that our equipment and applications have stood up to the demands of our colleagues and those whom we meet. The team are working to develop the use of apps for increased employee flexibility.

Upon return to offices we will operate a 'hub and spokes' model as we work across the South of Scotland and reflect the diverse and wide geographical, cultural and economic spread across the Region.

SOSE's Values

SOSE has four key values, to be:

Inclusive

- Collaborative, long term.
- Building trust, bottom up not top down.
- Supporting diverse thinking from diverse communities and business.

Responsible

- We do what's right for communities and the planet.
- We are honest, transparent and straight-talking.
- We champion the South; its people, communities and businesses.

Bold

- Open-minded, creative, lateral.
- Optimistic, pioneering and ambitious.
- Aiming high, providing hope and encouragement.

Striving

- We take pride in all that we do.
- We never give up, we fight for what's right.
- We challenge ourselves to always be better.

These four values can come together in so many ways, but each lies at the very heart of our work in, with and for the South of Scotland. Our decisions and actions flow from our values, they are part of our identity and we actively promote and showcase our values in action during various employee engagement events to keep them at the forefront of everything we do and say.

We set up the organisation in a pandemic and so we have been a flexible employer from the very start. We didn't need accreditation or permission; we simply did what was right and will continue to do what is right for our people and our clients.

Attracting the very best talent

We set up on 1 April 2020 with just 15 people and have grown to 81 people by the end of the first year. That meant recruiting, inducting, and developing our people whilst they were working from home. Through this we have attracted individuals from a range of backgrounds that widen the range of perspectives, knowledge and skills within SOSE. We pay the living wage and are on our way to become an Accredited Living Wage Employer.

A campaign has been launched to attract Modern Apprentices into SOSE as we look to build on the inter-generational and inclusive base of our team.

Diversity and Inclusion

Our inclusive working environment is enhanced by flexible working and all staff have the option to work flexibly on an informal basis. SOSE has a suite of family friendly and flexible working policies that help all our employees balance the demands of work and home, whether that's for childcare, foster care, eldercare, young people, community volunteers.

To promote and encourage greater diversity and inclusion, we ensure that the default position for all roles advertised in SOSE is that they can be done from a flexible location unless there is a specified overriding business consideration. We also include in our recruitment process that flexible working arrangements will be considered.

Engagement and Consultation

We have built our organisation through the power of consultation across SOSE.

We hold weekly all-staff briefings and have a staff consultation forum that provides insight and direction in shaping our policies and communication. We also have built in short time a strong working relationship with PCS, our recognised trade union.

We have undertaken 3 staff surveys during the first 12 months to measure staff engagement around key issues and this has resulted in (amongst other elements) the introduction of our Employee Assistance Programme and Mental Health First Aiders, the staff consultation forum, regular conferences and weekly all-staff briefings.

We have held three virtual Staff conferences covering a range of topics including ways of working, mental health and wellbeing, key work priorities, achievements so far and planning for the future.

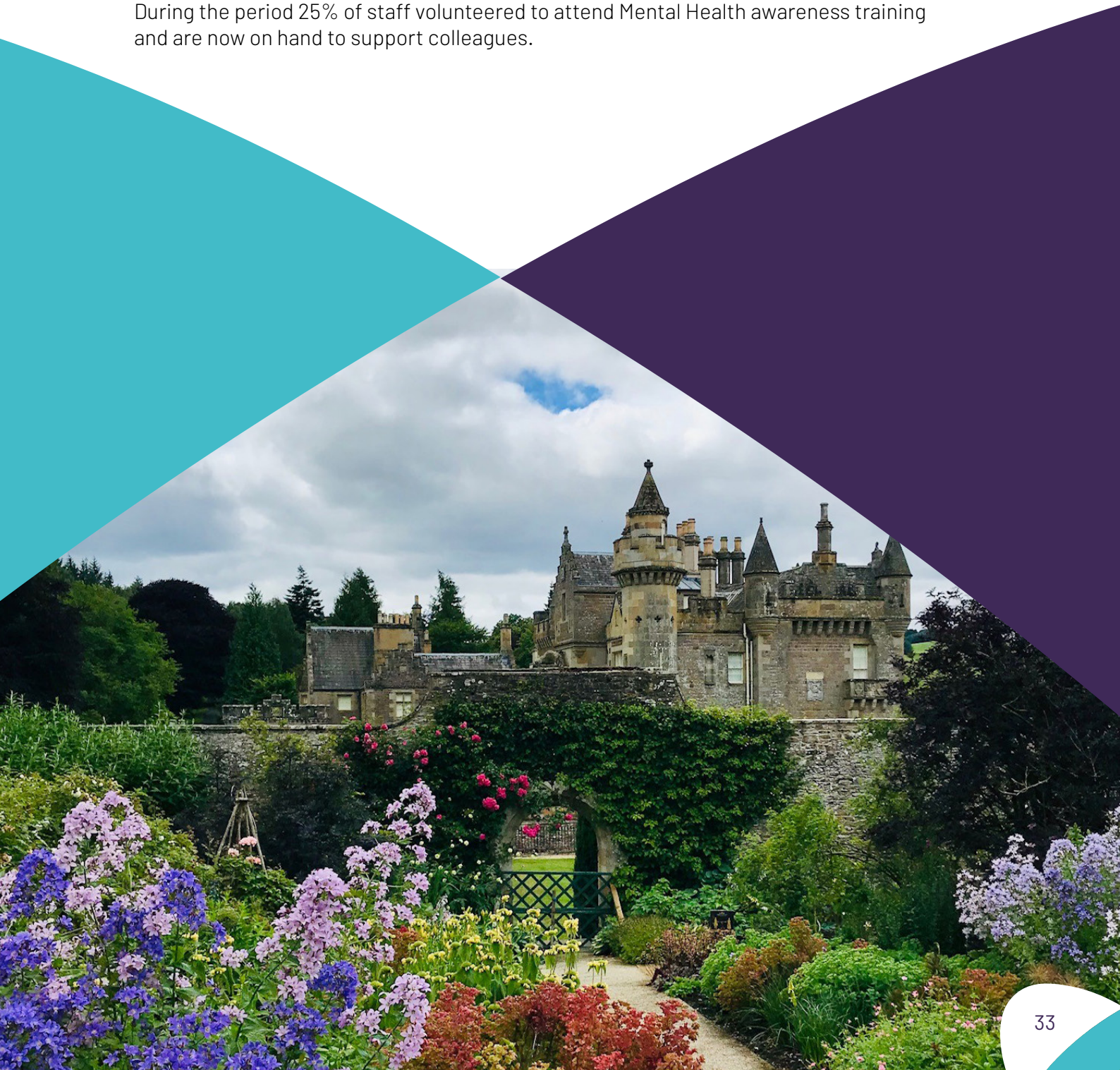
Employee Development

On joining SOSE all staff receive an induction as well as ongoing reviews and feedback. All employees complete mandatory training around H&S, diversity and inclusion and responsibility for information. SOSE also recognise the importance of developing our people and offer further training and development either internally or externally when required.

Health and Wellbeing

Employees achieving a work life balance is deemed highly important to SOSE to ensure health and enhanced wellbeing for all.

During the period 25% of staff volunteered to attend Mental Health awareness training and are now on hand to support colleagues.



Principal Risks and Uncertainties

Following the Scottish Public Finance Manual (SPFM) guidance, specifically relating to risk management and good practice in the Scottish public sector, SOSE took a structured approach to risk management and developed the organisation's risk management framework, aligned to Scottish Government good practice.

On behalf of the Board, the Audit and Risk Committee have overseen the Senior Leadership Team establishing SOSE's Risk Framework. The Board have considered and approved the principal risks facing SOSE during 2020-21.

Centering around implementing SOSE's new Risk and Internal Audit Policy, the Risk Framework has been established, and it included a review of, and update of the Corporate Risk Register, Departmental Risk Registers, Risk Appetite and PESTEL (Political, Economic, Social, Technological, Environmental, Legal) horizon scanning.

Improvements throughout the period progressed the development of the Framework and in preparation for the new financial year, Board, Audit and Risk Committee and Senior Leadership Team completed an annual corporate risk refresh, risk appetite statements and ratings refresh and commenced embedding risk assessments into Projects.

Our Corporate, Directorate and Project Risk Registers are reviewed regularly by our Managers, Senior Leadership Team, Audit and Risk Committee and Board at least annually, and the risks themselves are actively managed and reviewed within the organisation.

At the end of 2020-21, our top-rated principal risks included:

- **Pandemic: Economic**

COVID-19 direct impacts on businesses and wider impacts on the economy, return to work and Scottish Government Policy.

- **Environmental Climate Change**

Impacts on customers, businesses, the community and on policy, may challenge SOSE and the resulting challenges for SOSE. Opportunities may come from policy changes that provide SOSE with the chance to influence and create the narrative and landscape.

These risks have been rated highest by the SLT and agreed by Audit and Risk Committee on behalf of the Board. These, along with all other corporate risks, are detailed in the Significant Risks section of the Governance Statement, page 62.

These top-rated principal risks are evaluated and assessed regularly with all Corporate Risks, and the mitigations are focused on reducing the level of risk to the lowest possible level.

All corporate risks are assessed against the external political, economic, social and technological environments and in particular the potential longer-term changes as a result of leaving the EU.

Mitigations for these principal risks and all corporate level risks are discussed and reviewed at monthly Senior Leadership Team meetings and presented for further review at Audit and Risk Committee, quarterly. As these principal risks are external by their nature and the events that bring those risks are largely out-with SLT and Board's control and influence, the mitigation strategies focus mainly on reducing the impacts. SOSE's treatment aims to reduce these risks through scenario planning, resource planning, identification of priorities and close monitoring.

These, with all Corporate Risks are presented fully in the Governance Statement, page 61.

Going Concern

The Board and Accountable Officer have considered the resource budget for 2021/22, 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 aims as set out for SOSE by Scottish Government in our Interim Letter of Guidance. Considering available budget together with SOSE's closing balance sheet position as at 31 March 2021, net assets of £0.544m, the annual financial statements have been prepared on a "going concern" basis.

Further details of SOSE's resource budget for 2021/22 are given in the Performance Report and the Accountability Report. Details of the liquidity position are given in Note 19, page 112.

Future Plans

Looking to the future, the development of our first ever Action Plan and its publication in April 2022 will be a critical focus. Through our Action Plan we will take the opportunity to further define SOSE's vision and hence strategic focus, alongside establishing the strategic objectives and priorities which will drive our future focus and efforts. The production of our Action Plan will be informed via extensive engagement across the region, to learn from those who live, work, operate or have an interest in the South of Scotland, and establish where our efforts should be focussed to help realise the vision for our region set out in the Regional Economic Strategy.

As part of our Action Plan we will also set out our Performance Framework – the measures that we will use to objectively track our progress towards our aims and vision. This Performance Framework will reflect our mandate to deliver not just economic growth but also social and environmental development for the South of Scotland.

Currently in progress for 2021/22 is our performance framework which should allow the organisation to gather the required evidence of achievements to SOSE's short term priorities in the year and long-term organisational aims. Additionally, as shown in the following diagrams, these are mapped to medium and long-term outcomes and aligned to the Scottish Government National Performance Framework.

Development of Mapping Framework

Activities	Beneficiaries	Outputs	Short term impacts	Medium term impacts	Long terms impacts
The things that SOSE will deliver to meet the needs we have identified in the South of Scotland and to try to create our desired impacts	The client groups and other stakeholders that we will support through our activities	What we actually deliver – the number and type of different activities we do	<p>The quick wins/ positive changes that take place in the short-term following our interaction</p> <p>These impacts can be seen as resulting directly from SOSE activity, so we should track and measure them</p>	<p>The changes that we expect to happen or be sustained after the initial positive impact, which may take longer to realise</p> <p>There is still a strong connection to SOSE activity, so will want to track and measure</p>	<p>The wider changes to our economy, communities and environment that we want to contribute towards</p> <p>We can show the logic between our activities and these impacts but cannot claim that they result directly from our activity; we should monitor that they are trending in the right direction</p>

EXAMPLE:					
<p>Funding and development support provided to an existing third sector organisation to set up a new affordable furniture re-use service</p> <p>With condition and support to embed Fair Work principles</p>	<p>Existing third sector organisation</p> <p>Employees of organisation</p> <p>Customers of organisation</p>	<p>Type of support provided (funding + development support)</p> <p>Area of support provided (new income streams / sustainability)</p> <p>Engagement in action on FW</p>	<p>Increase in enterprising activity amongst existing organisations</p> <p>Adoption of new practices/ business activities to create positive outcomes for FW</p>	<p>Increase in organisation turnover</p> <p>Increase in organisation sustainability</p> <p>New good jobs created</p> <p>Increased social impact created (affordable furniture for low income households in local community)</p> <p>Increased environmental impact created (reduced carbon emissions from production and supply chain)</p> <p>Sustained FW activities & associated impact</p>	<p>Inclusive Growth</p> <p>Fair Work & opportunity</p> <p>Good jobs</p> <p>Wellbeing</p> <p>Sustainable communities</p> <p>Net Zero</p>



Mapping framework, in development, to achieve long term impacts

	Economic	Environmental	Social
Activities	<p>Direct support to individuals & businesses</p> <p>Across the business lifecycle:</p> <ul style="list-style-type: none"> Entrepreneurs & start ups Existing businesses Inward Investment <p>With support including:</p> <ul style="list-style-type: none"> Advice & guidance Specialist expertise Funding Development services <p>In key areas such as:</p> <ul style="list-style-type: none"> Business improvement Digital Innovation Expansion <p>Enabling activities, driving change and influencing others to create a more effective environment to allow our economy to grow, which could include programmes/ partnerships/ funding/ strategic leadership and influencing</p> <p>To support and grow key industries such as:</p> <ul style="list-style-type: none"> Tourism <p>To develop our physical infrastructure such as:</p> <ul style="list-style-type: none"> Digital Transport Property <p>To develop our human & business capital such as:</p> <ul style="list-style-type: none"> Learning & skills Local supply chain capability <p>Direct action to ensure clients embed sustainability in their operations</p> <p>Just Transition to Net Zero Fair Work Community & place impact Natural Capital</p>	<p>Direct support to projects, businesses or organisations that directly deliver environmental outcomes to address:</p> <ul style="list-style-type: none"> Climate Change and a Just Transition to Net Zero Natural Capital restoration, enhancement, creation Sustainable resource use <p>Enabling activities driving change and influencing others to create a more effective environment to allow environmental outcomes to be realised, which could include programmes/ partnerships/ funding/ strategic leadership and influencing</p> <p>Such as industry development for energy transition, Natural Capital</p>	<p>Direct support to communities, community organisations & the wider social economy to respond to local needs or identified social or environmental impacts, with a focus on <u>enterprising activity</u></p> <p>Across the business lifecycle:</p> <ul style="list-style-type: none"> Entrepreneurs & start ups Existing businesses Inward investment <p>With support including:</p> <ul style="list-style-type: none"> Advice & guidance Specialist expertise Funding Development services <p>In key areas such as:</p> <ul style="list-style-type: none"> Business improvement Digital Innovation Expansion <p>Enabling activities driving change and influencing others to create a more effective environment to allow our communities to develop, which could include programmes/ partnerships/ funding/ strategic leadership and influencing</p> <p>Direct action to ensure clients embed wider sustainability in their operations</p> <p>Just Transition to Net Zero Fair Work Community & place impact Natural Capital</p>
Beneficiaries	<p>Businesses or those thinking of starting a business</p> <p>Employees</p> <p>Individuals with reskilling or upskilling needs</p> <p>Local and national partner bodies delivering enabling activity</p>	<p>Organisations delivering environmental activities</p> <p>Local and national partner bodies delivering enabling activity</p> <p>Our environment, the economy and communities</p>	<p>Communities & social entrepreneurs</p> <p>Existing community organisations, social enterprises & other impact-led business models</p> <p>SoS communities and other target groups</p> <p>Local and national partner bodies delivering enabling activity</p>
Outputs	<p>Number of clients supported:</p> <ul style="list-style-type: none"> Client stage/type Type of support(s) provided Area of support provided <p>Number & type of enabling activities:</p> <ul style="list-style-type: none"> Delivered directly Collaborated, supported or funded Strategic input or leadership <p>Number of clients engaged in action on Just Transition to Net Zero, Fair Work, Community & place impact, Natural Capital</p> <p>Number of clients supported in deprived places/priority places</p>	<p>Number of environmental clients supported:</p> <ul style="list-style-type: none"> Client stage/type Type of support(s) provided Area of support provided <p>Number & type of enabling activities:</p> <ul style="list-style-type: none"> Delivered directly Collaborated, supported or funded Strategic input or leadership 	<p>Number of clients supported:</p> <ul style="list-style-type: none"> Client stage/type Type of support(s) provided Area of support provided <p>Number & type of enabling activities:</p> <ul style="list-style-type: none"> Delivered directly Collaborated, supported or funded Strategic input or leadership <p>Number of clients engaged in action on Just Transition to Net Zero, Fair Work, Natural Capital</p> <p>Number of clients supported in deprived places/priority places</p>
Short term impacts	<ul style="list-style-type: none"> Increase in business start ups Increase in Inward Investment Increase in business improvement activity Increase in expansion and growth activity & investment Increase in innovation activity Increase in digital adoption <ul style="list-style-type: none"> New or strengthened support provision for key industries New or strengthened physical infrastructure to support economic development Increase in skills development opportunities relevant for the SoS economy Increase in supply chain development activity relevant for the SoS economy <ul style="list-style-type: none"> Clients newly adopting practices or business activities that will create positive outcomes related to JTNZ, FW, C&P, NC 	<ul style="list-style-type: none"> Increase in environmental activity through projects, start/up expansion of new businesses or social economy organisations <ul style="list-style-type: none"> New or strengthened enabling infrastructure for achieving environmental impact 	<ul style="list-style-type: none"> Increase in social economy start ups Increase in enterprising activity & projects amongst existing organisations Increase in community/ organisation capacity Increase in community ownership ...in deprived/ priority places <ul style="list-style-type: none"> New or strengthened enabling activity for communities
Medium term impacts	<ul style="list-style-type: none"> Businesses sustained beyond start up Increased business productivity Increased business profitability Increase in business turnover <ul style="list-style-type: none"> New jobs created by clients ...high skilled jobs ...jobs in deprived/priority places ...jobs above living wage <ul style="list-style-type: none"> Specific outcomes realised from industry support Specific outcomes realised from physical infrastructure development Specific outcomes realised from human & business capital support <ul style="list-style-type: none"> Sustained FW practices amongst clients Clients deliver JT/C&P/NC outcomes 	<ul style="list-style-type: none"> New green jobs created by clients <ul style="list-style-type: none"> Increased environmental outcomes delivered by supported projects/clients ...Decrease in net greenhouse gas output ...Increase in Natural Capital ...Reduction in resource use 	<ul style="list-style-type: none"> Organisations sustained beyond start up Increase in organisation turnover Increase in organisation sustainability Increase in income-generating community assets <ul style="list-style-type: none"> New jobs created by clients ...jobs in deprived/priority places ...jobs above living wage <ul style="list-style-type: none"> Increased community, social and environmental outcomes delivered by clients <ul style="list-style-type: none"> Specific outcomes realised from enabling activities <ul style="list-style-type: none"> Sustained FW practices amongst clients Clients deliver JT/NC outcomes

Financial Performance

Purpose

The main purpose of this section is to summarise SOSE's performance for the period to 31st March 2021 against our finance targets. The full detailed financial statements are contained on pages 83 to 114 which covers an 18-month period.

During the 6 months to April 2020 SOSE had the ability to set up as an organisation, this involved recruitment of staff, infrastructure and office set up. SOSE was only able to operate as an economic and community development agency from the 1 April 2020, when referring to this particular period it will be referred to as the "year", if encompassing the full 18 months this will be known as "period".

The SOSE budget is supplied by the Scottish Government and comprises of Resource, Capital, Financial Transactions, Ring-Fenced Expenditure and Annually Managed Expenditure. A small income is generated by SOSE through property to offset associated costs.

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. This budget is supplemented by other forms of income, primarily rental income from property.

Capital budget expenditure tends to be one-off in nature for example purchasing large pieces of equipment or property purchases whose lives extend beyond the current financial year, this has primarily been utilised in the form of grants to clients. A very small amount has been used by SOSE to purchase IT equipment as we grow as an organisation.

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 do 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 the Resource or Capital expenditure.

Financial Performance

During SOSE's first period as an organisation, a start-up grant was initially received from the Scottish Government (SG) of £0.255m to enable set up, allocating £0.165m toward capital costs and £0.090m for revenue spend. The year to 31 March 2021 SOSE received Grant in Aid from SG for the first time. The original resource budget for 2020/21 was £11.400m, during the year the Scottish Government confirmed adjustments to the budget with net transfers of £3.053m taking SOSE's final first year resource budget to £14.453m, including a non-cash allocation of £0.126m for Accrued Staff Benefits and an additional £0.200m provided in March 2021. A large proportion of the funding transferred to SOSE related to the Scottish Wedding Industry Fund - £3.110m. The original capital budget of £8.400m was adjusted to £8.945m during the year. As the year progressed it became clear it would be difficult to utilise the Financial Transactions budget allocated to SOSE, it was agreed with Scottish Government that this would be handed back during the Spring Budget Review. The Parliamentary Accountability Report section (page 77) details SOSE's financial outturn against allocated budget from Scottish Government.

SOSE's first year in operation proved to be a challenging year dealing with the COVID-19 pandemic and growing the organisation remotely, a big focus of the organisation has been on COVID-19 recovery and supporting businesses.

Setting up the new organisation was aided by utilising already established systems and support through collaborative partnerships, with Skills Development Scotland Limited and Scottish Enterprise.

A primary focus for SOSE in 2021/21 has been recovery from the COVID-19, as set out in the Interim Annual Strategic Guidance from the Scottish Government. SOSE have been involved in some key strategic government programmes - Pivotal Enterprise Resilience Fund, Creative, Tourism and Hospitality Enterprises Hardship Fund, Hotel Recovery Support Programme and Scottish Wedding Industry Fund. SOSE played a key role in the delivery of these funds and worked in partnership with other public sector bodies such as Scottish Enterprise and Highlands and Islands Enterprise.

In addition to this, SOSE set up a number of its own funds to support the recovery from COVID-19 in the South of Scotland. This expenditure was issued from the Grant in Aid provided by the Scottish Government. In addition to this a small income is generated by SOSE through income from rental properties, this is applied against expenditure incurred during the year.

Resource expenditure was closely monitored throughout the year and SOSE achieved its spend to the budget provided by Scottish Government, largely through SOSE's own funds as well as a government programmes. This included an agreed Resource underspend with the Scottish Government of £1.411m for Scottish Wedding Industry Fund (SWIF), the small remaining underspend relates to additional income received from rental properties. SOSE was able to achieve a fully utilised budget for capital, this was in the form of grants to clients particularly focusing on companies looking to adapt and diversify their business while recovering from COVID-19.

Regulation 3(a) of the South of Scotland Enterprise (Transfer of Property and Liabilities) Regulations 2020 (the "Regulations"), agreed that a transfer of land and property from Scottish Enterprise would take place during the first operational 12 months. This took place through a Memorandum of Understanding and completed via a machinery of government transfer. These assets were recognised on SOSE's Statement of Financial Position which have subsequently been depreciated in accordance with SOSE's accounting policies. All depreciation is allocated to the Ring-Fenced Budget as described above, for the period to 31 March 2021 this totalled £0.096m, covering both property and purchased IT equipment, £2.400m lower than the provision provided by the Scottish Government.

Financial Position

In the year to 31 March 2021 SOSE's Statement of Financial Position showed a net surplus of £0.544m due to assets exceeding liabilities.

As detailed above a transfer of assets from Scottish Enterprise took place on 1 June 2020 via a Machinery of Government transfer. The assets transferred were valued at £2.455m, per a valuation provided by Scottish Enterprise on 31 March 2020, including £0.137m taken to the revaluation reserve. The asset transfer consisted of both property, which includes rental units at three sites in the South of Scotland and areas of land.

The assets are a key reason for the surplus position of the Statement of Financial Position. 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 details in Note 14 to the accounts.

The pension valuation at 31 March 2021 shows a pension liability of £2.281m, it is important to note that under IAS 19 the assumptions used are more prudent than funding valuation assumptions.

The pension deficit position is due mainly to the effects of these assumptions, market fluctuations and members who transferred past service benefits throughout the period.

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 2021 was 9 days which equates to 84% of suppliers paid within 10 day target.

SOSE observe 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

Procurement contracts for goods and services complied fully with the current regulation for regulated spend (above £50k) and below this level complied with our internal SOSE procurement policy.

SOSE engaged 66 suppliers in the period to 31 March 2021, of which 37 were SMEs and 8 were based in the South of Scotland.

Our key priorities were and continue to be to:

- Ensure all procurement activity (including contract management of business-critical suppliers) is led and facilitated by the Procurement team alongside fully committed internal stakeholders, ensuring full contract compliance and effective governance;
- Support the Grants award process to ensure an effective process for payment and governance;
- Ensure the procurement strategy remains aligned with the SOSE corporate values and priorities;
- Support Community Wealth Building, particularly local/rural markets in the South of Scotland, Small and Medium Sized Enterprises (SMEs), Third Sector organisations, and enterprises involving minority groups and those with protected characteristics under the Equality Act 2010;
- Put sustainability and inclusiveness at the heart of everything we do;
- Reduce bureaucracy – an emphasis on the use of collaborative framework contracts which meet the needs of SOSE;
- Protect public spending – ensuring tax-payers money is spent sustainably, ensuring integrity and accountability;
- Regularly report procurement performance and compliance in relation to regulated procurements;
- Work collaboratively with other public sector organisations on regulated procurements where appropriate, ensuring that our partner organisations are committed to equality of opportunity for all sectors of society

Future Outlook

Moving into SOSE's second year we have secured funding in line with expectations and increased from our first year, in core funding for both Resource and Capital, as well as a budget for Financial Transactions.

Resource funding is £15.803m for 2021/22, an increase of £1.350m, allowing SOSE to continue to grow as an organisation and continue towards SOSE's aims to help further the economic and community development of the South of Scotland.

Capital funding increased by £4.455m to £13.400m and the Financial Transactions budget allocated to SOSE is £5.000m. We have set a Capital Budget model with a relatively modest over-commitment. This will be reviewed regularly during the year with a view to re-committing any slippage. A process to appropriately utilise Financial Transactions has been developed.

The largest financial risk for SOSE is securing enough Resource funding in future years, as the agency grows 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 continued growth and sustainability.

Our organisation will continue to work with the Scottish Government on this to understand the likely outlook and employ scenario planning to model how various future states will look.

Public Interest Reporting

Information Request Processing

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

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

Table A	
Freedom of Information (Scotland) Act 2002 (FOISA)	17
Environmental Information (Scotland) Regulations 2004 (EIR)	0
Data Protection Act 1988 (Subject Access Requests)	0
Total	17

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

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

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

Table C		
Section of Act (FOISA)	Description of Exemption	Total
33(1)(b)	Prejudice commercial activities	2
27	Information intended for future publication	6

Number of Requests for Reviews (Table D):

Table D	
Freedom of Information (Scotland) Act 2002 (FOISA)	1
Environmental Information (Scotland) Regulations 2004	0
Total	1

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

Table E	
Freedom of Information (Scotland) Act 2002 (FOISA)	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 information from them 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	
Frontline response (Stage 1)	1
Investigation (Stage 2)	1
SPSO	0
Total	2

Sustainability and Environment Report

SOSE is committed to the Just Transition to Net Zero, focusing on reducing our own emissions and use of resources as well as supporting businesses and communities across South of Scotland on their own journeys to Net Zero. As a new organisation, established during the Covid-19 lockdown, this first year data, reported below, should form our baseline for reporting in future years. However, this is not reflective of our forward operating practices and we are developing more robust measurement mechanisms to create a more appropriate baseline for 2021 / 22.

		2020/21
Waste and water		
Non-financial indicators (TonnesCO2e)	Total greenhouse emissions from general waste	0.93
Non-financial indicators	General Waste (Tonnes)	13.06
	Recycled Waste (Tonnes)	30.79
	Total Waste (Tonnes)	43.85
Financial indicators (£'s)	Disposal costs	£ 2,824

		2020/21
Utilities and business travel		
Non-financial indicators (TonnesCO2e)	Electricity	75.04
	Gas	110.19
	Business travel	1.22
	Total	186.45
Related energy consumption (kWh)	Electricity	321,860
	Gas	599,274
	Business travel	4,906
	Total	926,040
Financial indicators (£'s)	Electricity	£ 100,094
	Gas	£ 19,548
	Business travel	£ 1,985
	Total	£ 121,627

We have reported data in relation to waste, utilities and business travel where we have directly incurred costs. We cannot report on water consumption, as we are not billed directly and therefore have excluded this from the data reported.

		2020/21
Home Working		
Non-financial indicators(TonnesCO2e)	Electricity	84.08
	Gas	25.59
	Heating Oil	8.58
	Total	118.25
Related energy consumption(kWh)	Electricity	360,661
	Gas	139,196
	Heating Oil	34,799
	Total	534,656
Financial indicators(£'s)	Electricity	N/A
	Gas	N/A
	Heating Oil	N/A
	Total	N/A

Due to most of this year’s activity being carried out through home working we felt it was important to include relevant data to give a more rounded picture of our overall environmental impact. So, in addition to directly incurred costs, we have also reported the quantifiable impacts of home working, mainly in relation to energy demand for lighting, IT equipment and space heating. We have reported the CO2e emissions associated with this consumption using UK Government GHG Conversion Factors for Company Reporting and publicly available methodologies for quantification of consumption by homeworking employees.

There are limitations to the data presented in that we cannot accurately quantify the proportion of households fuelled by natural gas, liquefied petroleum gas or heating oil, so we have made assumptions based on publicly available data for average Scottish domestic scenarios. Furthermore, we cannot accurately quantify the number of households that self-generate energy through renewable technologies and/or purchase green energy from their energy supplier.

In the expectation that home and remote working will continue to play a significant part in future working practices, we will establish robust data capture methods to ensure accurate quantification of our impacts in future reporting periods. In relation to this, we will also be undertaking work to understand our indirect emissions, particularly those associated with data streaming services provided by cloud-based data centres. We acknowledge that emissions resulting from data services are significant, so are committed to quantifying this accurately and reporting on this impact as transparently as possible.

Procurement

As part of all 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 this we ask all 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 have 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.

Developing Approach

Our focus for 2021 / 22 is that the recovery from Covid-19 should be led by green growth. To facilitate this, we have a programme of internal activity and have commissioned climate literacy training for our Board and Senior Leadership Team, to then be rolled out across the whole of the organisation. This will raise our internal knowledge and skills level, building the confidence of our staff to support our client base. We are installing charging points for electric vehicles at our two office bases and will be leasing a small fleet of electric vehicles for business use. Our internal operating practices are being reviewed to ensure alignment with our ambitions to become a Carbon Positive region.

Jane Morrison-Ross

J Morrison-Ross

Chief executive and accountable officer
South of Scotland Enterprise

27 August 2021

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	Resigned
Russel Griggs (Chairman)*	1 April 2020	
Nick Halfhide (Interim Chief Executive)**	3 February 2020	28 February 2021
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	
Alan Daubney (co-opted member)	13 March 2020	
David Sulman (co-opted member)	13 March 2020	
Kate Rowell (co-opted member)	13 March 2020	
Hazel Smith (co-opted member)	13 March 2020	

*Russel Griggs – was appointed as chair designate from 1 August 2019 until formal appointment started on 1 April 2020.

**see note under Leadership Team Membership table – page 51

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.

Leadership Team Membership

	Appointed	Resigned
Nick Halfhide (Interim Chief Executive)*	3 February 2020	28 February 2021
Jane Morrison-Ross (Chief Executive)	22 February 2021	
Karen Jackson (Director of Strategy, Partnerships and Engagement)*	9 December 2019	
Anthony Daye (Director of Finance)	9 March 2020	
John Evans (Director of Enabling Services)	10 March 2020	
Bryan McGrath (Director of Operations)	11 May 2020	

* Nick Halfhide joined SOSE on secondment from NatureScot (formerly known as Scottish Natural Heritage) to facilitate establishment until the appointment of a permanent Chief Executive. Karen Jackson was initially on secondment from Scottish Government before being directly employed by SOSE in October 2020.

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 instances of data loss during the financial period.

Appointment of auditors

Under the Public Finance and Accountability (Scotland) Act 2020, the Auditor General for Scotland has appointed Gordon Smail (Audit Scotland) to carry out the external audit for the period ended 31 March 2021. 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 £95,000. There were no fees payable to Audit Scotland for non-audit work during the period.

The Statement of Accountable Officer's Responsibilities

Under section 15 of the South of Scotland Enterprise Act 2019 the Scottish Ministers have directed South of Scotland Enterprise to prepare for each financial year a statement of accounts in the form and on the basis set out in the accounts direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs 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 Government Financial Reporting Manual and in particular to:

- observe the accounts direction issued by Scottish Ministers, 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 financial statements;
- prepare the financial statements on a going concern basis; and
- confirm the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and judgements required for determining that it is fair, balanced and understandable.

The Principal Accountable Officer for the Scottish Government has designated the Chief Executive 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 the Accountable Officer is answerable, for keeping proper records and for safeguarding SOSE's assets, are set out in Managing Public Money published by the HM Treasury.

As the Accountable Officer, I have taken all necessary steps that 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.

I confirm that the annual report and accounts as a whole is fair, balanced and understandable and as Accountable Officer I am personally responsible for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

Governance Statement

In this first year of SOSE's operation, Interim Chief Executive, Nick Halfhide, was in post until the end of February 2021, with the permanent appointment of Jane Morrison-Ross, as Chief Executive, in February 2021.

As Accountable Officer, I, Jane Morrison-Ross [Chief Executive], 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 Act 2019 by Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

In my key leadership role as Accountable Officer, I aim to drive forward SOSE's vision to be bold, ambitious and 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 Board
- Implementing policies
- Managing risk and resources.

Accounting for SOSE's activities includes the areas detailed in the following sections which form the Governance Statement for 2020-21. These sections combined, ensure clarity on governance, roles and responsibilities and support consistency of implementation to enable SOSE to deliver its mission, aims, vision, and values.

Governance Framework

SOSE is established under the South of Scotland Enterprise Act 2019.

SOSE was set up by the Scottish Government in recognition of the unique circumstances of the South of Scotland, and the need for a fresh approach to drive inclusive growth across the area. The South of Scotland Enterprise Act 2019 was passed by Scottish Parliament in June 2019 and provides our legal framework. SOSE launched officially on 1 April 2020 as the new 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.

Our four core values, to be bold, responsible, inclusive, and striving, are championed by our Board and embedded in everything we do. Being responsible includes establishing an appropriate governance framework with appropriate structures, strategies, management, and reporting.

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, two main Committees undertake the main governing responsibilities on behalf of the Board. The Remuneration and Nominations and Human Resources Committee (RNHR) and the Audit and Risk Committee (ARC). Within the Board structure, an Economics Committee has been established in preparation of its operation in 2021-22.

Reports to Board and Committees include providing updates on compliance and incidents as well as reporting any breaches of legislation, regulations and policy such as reports of fraud, serious data breach and other non-compliance.

Board delegates its authority for strategic delivery and operational management to the Chief Executive and Executive Directors. Together, the Chief Executive, Director of Enabling Services, Director of Finance, Director of Operations and Director of Strategy, Partnership and Engagement, form the Senior Leadership Team.

The SOSE corporate governance framework comprises the non-executive Board and Committee structure and the Senior Leadership Team and is supported by the Corporate Office in SOSE who assist the Chair, Board, Committee Members and Executives and manage the secretariat and corporate reporting mechanisms. Terms of references, key corporate strategies, standing orders and delegated authority scheme, provide the framework of decision making and control and provide clear delegation of power and responsibilities for effective corporate management. SLT manage the delivery of policy, oversee corporate systems and report to Board and Committees in line with delegations and forward plans and departmental roles and responsibilities. This structure underpins the standards, codes, policy, and assurance activities, within which SOSE is required to operate and enables compliance and facilitates management, providing an opportunity for innovative and creative thinking to take place within this governed environment.

Reports to Board and Committees include providing updates on compliance and incidents as well as reporting any breaches of legislation, regulations and policy such as reports of fraud, serious data breach and other non-compliance. SOSE requires high standards of integrity and probity for all non-executives, staff, clients, and suppliers and has codes of conduct, policies, and controls in place to minimise risk and ensure a strong control framework operates.

As well as setting up the new governance framework in its first year, SOSE has also responded effectively and efficiently within the COVID-19 pandemic environment to support communication, organisation, meetings, reporting and decision-making within that framework. This included remote working and agile and proportionate decision making to enable us to meet the needs of our communities and businesses. SOSE has been, and continues to, work closely with Scottish Government and other Partners to ensure appropriate solutions can be delivered to deal with hardship, resilience and recovery of our businesses and communities.

SOSE Board

The SOSE Board was appointed in March 2020 following the appointment of the Chair. The Board Membership was announced and held its first meeting in March 2020. The Board comprises a total of eleven Members, seven Board Members and four Co-opted Members.

Our Board have a broad range of knowledge and experience and, alongside the Chair, Professor Russel Griggs OBE, they drive forward the vision of SOSE to establish the South of Scotland as a centre of opportunity, innovation, and growth.

The Board Chair leads the Board and directs SOSE as the new economic and community development agency for the South of Scotland and oversaw the appointment of Board Members and Co-opted Members in March 2020 and also the appointment of the Chief Executive.

Board Members agree to comply with the Model Code of Conduct for Members of Devolved Public Bodies, February 2014, including compliance with declarations of interest and they adopt the principles of the Ethical Standards in Public Life (Scotland) Act 2000.

With regards Board development all Members undertook an initial induction session on appointment and have undertaken Health and Safety Training and taken part in a Value for Money session in the year.

SOSE strategy sessions have also been carried out with Board attending sessions with invited speakers from different organisations to speak about relevant themes, to build and strengthen the board's knowledge base. As well as induction and development of broad background knowledge for Members, we have also plotted a course for some specific Board sessions including:

- Fair Work
- Programme for Government
- Wellbeing Economy
- Community Wealth Building
- Community Ownership
- Supporting people with Additional Support Needs.

There are also plans to continue with further strategy sessions in the year 2021-2022.

Board and Committee Structure and Corporate Leadership

The Board has two main Sub-Committees, the Audit and Risk Committee (ARC) and the Remuneration, Nominations and Human Resources Committee (RNHR). Both Committees have agreed Terms of Reference and support the Board in fulfilling its strategic leadership role as well as providing assurance to Board on key responsibilities and accountabilities.

To oversee the set up in the first year of SOSE's operation, Board met regularly and at least monthly, throughout the 2020-21 financial year. The two main Committees met quarterly.

Audit and Risk Committee

The Terms of Reference for the Audit and Risk Committee set out its remit for ensuring that Board fulfils its role in maintaining a sound control and assurance framework and for ensuring there are adequate systems of control, with scrutiny and compliance and that internal and external audit services and reporting requirements are in place in order to provide assurance on the adequacy and effectiveness of internal control and risk management in SOSE.

The Committee meets at least quarterly and meetings are attended by internal and external auditors who have direct access to the Committee Chair. The Committee Chair reports regularly on Committee business to Board.

Remuneration, Nominations and Human Resources Committee

The Committee reports directly to Board and meets at least quarterly. Key business for 2020-21 included workforce planning and organisation development matters.

(Shadow) Workers Interest Committee

A (Shadow) Workers Interest Committee has been established and held an initial planning meeting in the year. Chaired by a SOSE Board Member, the Committee includes representatives from the region's workforce sector, further education, farming, housing, and Government.

Other Groups

The Economics Committee is being set up for SOSE Board Members to co-ordinate and steer specific economic development strategy and delivery for the region. The Committee has not met formally in 2020-21. As well as SOSE Board members, external partner members will be added once identified, as part of the operational establishment of the Committee in 2021-22.

Other groups which report to Board and which are led by Executive Management include the Health and Safety Committee and the Business Improvement – Programme Control Board. These groups report to SLT and updates are provided to Board.

Senior Leadership Team

As an organisation we are structured around four Directorates – Enabling Services, Finance, Operations and Strategy, Partnership & Engagement. Each Directorate is led by an Executive Director who reports to the Chief Executive. The Executive Directors and Chief Executive meet regularly as the Senior Leadership Team (SLT). The SLT serves the Board and Committees by implementing strategy, developing policy and by delivering the operational management functions within SOSE. The Chief Executive provides regular reports to Board on 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

Drawn from its responsibilities under the South of Scotland Enterprise Act, the strategic priorities, and operating priorities for the organisation for the first year were set out in the Business Plan for 2020-21. The investment priorities were considered alongside the plans for development of our organisation and informed the Operating Budget for 2020-21. Development of the longer-term Action Plan commenced during the year, driven by a Consultation Strategy involving wide ranging consultation with businesses, communities, and sectors.

SOSE's Action Plan will be aligned to the Regional Economic Strategy, overseen by the Regional Economic Partnership, of which SOSE is a partner.

SOSE aligns its strategic priorities with the Enterprise and Skills Strategic Board's Strategic Plan, which is overseen by the Strategic Board. The Performance Report in these statements refers in more detail to the Enterprise and Skills Strategic Board which was created by the Scottish Government in response to the Enterprise and Skills Review and to SOSE's proactive collaboration on a number of fronts.

The preparation of SOSE's strategic Action Plan, progressed during its first year. A strategy is now anticipated to be in place by the beginning of the 2022-23 financial year, following a period of engagement and consultation during 2021-22.

SOSE's overarching strategic approach in 2020 was set out in terms of two principle for 2020-21, the recovery from COVID-19 and the development of our ambition for the region. Strategic outcomes are monitored by Board and reviewed alongside measuring the success of the COVID recovery, growing our capabilities, and developing our ambitions for the region. Those strategic aims are broken down into strategic priorities with corresponding investment priorities.

SOSE Board identified four key themes as SOSE's primary focus through its first year 2020-21. Our response to COVID – What we want to achieve, what we will do, how we will work with others; Our investment priorities – How we will invest to achieve our priority outcomes; Our organisational capability – How we will resource the organisation to deliver on those priorities and Our longer-term plans – What we will do to establish our longer-term Action Plan.

The Operational Framework is structured around the Operational Plan Plus and the Annual Operating Plan which delivers on the key themes for SOSE's primary focus and is managed by the Chief Executive and Senior Leadership Team, reporting to Board. The Operational Plan Plus was developed by Board and Executives and has a shorter-term window to describe what SOSE will do in each area of focus. The Operating Plan makes a public statement of purpose and sets out what the plans are for the year.

Corporate Governance

SOSE complies with the Scottish Public Finance Manual, accepted good practice and relevant guidance related to governance matters.

As SOSE became operational in April 2020, SOSE's governance framework was set up in the context of remote working under COVID and it has been established and adapted for optimum effectiveness in that environment. Board and Senior Leadership Team were appointed initially and have overseen the organisational development of Corporate Office and Governance, Risk and Compliance functions which has progressed through the year. Corporate governance was led by the Senior Leadership Team supported by the Corporate Office reporting through the Strategy and Planning Director, with the Internal Audit and Risk functions reporting through the Director of Finance.

All Committee and Board meetings have been conducted virtually, as has all audit work been completed using electronic systems and virtual communication.

SOSE's governance arrangements include the structure of Board, Committees and Senior Leadership Team, with relevant policies, clear roles and responsibilities, delegated authority arrangements and decision-making processes which are transparent and supported by a clear evidence base.

The following components of the Governance Framework in SOSE were established within this first year.

- Board role and responsibilities and terms of reference
- Delegations to Committees, terms of references and reporting to Board
- Delegations to the Chief Executive and Senior Leadership Team
- Financial Regulations
- Scheme of Delegated Authority
- Accounting Policies
- Corporate Policies
- Assurance Framework
- Internal Audit strategy and plan
- Annual Internal Controls Certification prepared, reviewed, and signed by Departmental Directors and reviewed by the Chief Executive.

The components listed have been put in place progressively throughout this first year of SOSE's operation and were in place at the date of approval of the annual report and accounts.

The systems of internal control have been embedded in the year to work across SOSE and provide information to SLT, assurance to the Audit and Risk Committee and Board, and these systems are constructed within a model of three lines of defence. The First Line of Defence includes business operations, line administration procedures, system checks and authorisations, automated controls and management controls. The Second Line of Defence includes oversight, separate checking and review functions for example, Finance, Legal, Human Resources, Health and Safety, Risk and Compliance. The Third Line of Defence includes Internal Audit, External Audit and other independent assurance providers.

Audit and Risk Committee review the key controls in place across the lines of defence and mapped alongside corporate risks, and provide assurance to Board through oversight of the internal control framework, regular review of the Corporate Risk Register, Internal Audit reports, audit recommendation tracking and Compliance Update Reports.

The Senior Leadership Team (SLT) and Chief Executive are ultimately responsible for maintaining the systems of internal control and for reporting to Audit and Risk Committee and Board. SLT is informed and supported by the organisation's information management and reporting systems, the assurances from Corporate Office, Programme Control Board, Senior Managers and from the Information Governance, Risk and Compliance Manager as well as the work and reports from Internal Audit and External Audit.

Control effectiveness is kept under review by SLT by consideration of compliance updates, audit reports, appraisals, and assessments. The Chief Executive seeks assurance from Executive Directors and receives regular updates and reports on programmes, projects, risks, and issues. As SOSE was established and set up completely within the COVID lockdown and restriction environment, all of the systems of control evaluation and assurance operate within remote working arrangements.

Best Value

SOSE achieves value for money as an integral part of its financial and business planning and service delivery. Achieving this aim is central to promoting digital connectivity, improved transport services and infrastructure, sustainable, efficient use and reuse of resources and promoting efficient and innovative commerce and industry.

Delivering core business efficiently is achieved by utilising existing partnering arrangements. Shared Services Agreements were arranged with Scottish Enterprise and Skills Development Scotland for core finance and business systems. Contracted Internal Audit services from Scottish Enterprise and corporate office system support from EIS were established.

SOSE considers and assesses sustainable investment decisions which include value for money assessments and Board scrutiny of proposals against economic assessment and long-term efficiency.

In line with Scottish Government advice, the Chief Executive, as Accountable Officer, is responsible for Best Value. While SOSE is at the early stage of its journey, the main themes of vision and leadership, effective partnerships, governance and accountability, use of resources, and performance management, are recognised and arrangements continue to develop.

Performance Management and Business Improvement

SOSE's corporate reporting framework that is in place to report, review and consider organisational performance throughout the year, is overseen by Board and managed by SLT. The Operating Plan for 2020-21 is central in setting Board's priorities for the year. Business performance against the priorities is discussed by the Board at each Board meeting and is an integral part of the regular Finance Update, Chief Executive's Report, and project update reports. The Operating Plan for 2020-21 was approved by Board and the updated Plan for 2021-22 reflects Board's priorities going forward.

Directorate Workplans are set annually and updated regularly and include reporting on targets and performance related to Directorate and management objectives and outputs. Achieving business improvement is central to the SLT's aims. Regular meetings include corporate and business planning, business development and business improvement.

In the year, the SOSE Programme Control Board (PCB) was established to oversee and control the approach and ensure successful programmes and projects. The Membership of the PCB is the Senior Leadership Team and they oversee and authorise projects and ensures project monitoring is effective to support significant decisions and business change and investment. Programme and project control by the PCB include ensuring alignment to strategic objectives and financial delegations.

Weekly Chief Executive briefings for the SOSE Team, include updates on ongoing and new projects and business improvement initiatives.

Risk Management Arrangements

Risk Management arrangements were established from the commencement of SOSE's operations in April 2020. Following Scottish Government Finance Manual good practice for risk management in the public sector, SOSE developed and implemented its Risk Management Framework and the Risk and Internal Audit Policy. The policy defines the principles and context for identification of the control and management of the risks facing SOSE. It highlights the practical approach and processes to ensure risks are identified and assessed consistently across the organisation and the governance and reporting procedures. The implementation of the Risk and Internal Audit Policy and processes ensures identification and management of internal and external risks and demonstrates good corporate governance and helps achieve our strategic and operational objectives.

Our approach is that good organisational wide risk management leads to stronger organisational resilience. This also helps colleagues understand the scope of the environment in which they operate and provide them with realistic boundaries for executive action.

The framework for risk management has been developed with the support of executives and senior managers as risk owners across SOSE, and follows ISO 31000 principles and guidelines, and standards devised from HM Treasury Orange Book principles, internal audit recommendations and the Scottish Public Finance Manual.

The Risk Management Framework has been enhanced and developed during the year, co-ordinated by the Information Governance, Risk and Compliance Manager, with refreshed strategic risks, risk appetite and refresh horizon scanning.

Under the direction of Board, the Audit and Risk Committee review the strategic level, corporate risks regularly and advise Board, who are ultimately responsible, on setting risk appetite. Further developments underway, of the Risk Management Framework for 2021-22 include Audit and Risk Committee undertaking deep dive reviews, formal risk assessment as part of Board decisions and further development of project risk registers.

The SLT manages and directs the assessment of risk and leads the ongoing refresh of risk and risk management processes and structures to identify, evaluate and manage the principal and emerging risks faced. Risk assessment includes reviewing and implementing appropriate and effective mitigations for managing risk, managing risk within the relevant tolerance and horizon scanning of the political, economic, social, technological, environmental and legal environments and is led by SLT, for review and approval by Audit and Risk Committee. SLT are responsible for identifying risk and for escalation of any emerging strategic level risks identified by management, to the Corporate Risk Register.

Senior Leadership Team also cascade the Corporate Risks into the business for mitigation and regular monitoring and obtain assurance from management where appropriate.

Project risks and significant operational risks are considered, reviewed, and updated regularly by Executive Directors in Directorate Team meetings and Programme Control Board meetings, with escalation to the Corporate Risk Register of any emerging significant corporate risks.

The independent assessment of the risk management framework is led by Internal Audit who provide assurance on the systems of control and their effectiveness. Internal Audit carried out a governance review in the year and provided assurance on risk management and key control effectiveness. Internal Audit's overview of the Corporate Risk Register together with the internal audits completed during 2020/21, have been fully considered in identifying the proposed audits for internal audit review during 2021/22. Internal Audit report to the Senior Leadership Team and Audit and Risk Committee who provide assurance to the Board. Any actions for improving the Risk Management Framework are implemented by the Senior Leadership Team and tracked by Audit and Risk Committee. There were no significant failings or weaknesses in risk management reported in the year. A full assessment of SOSE's risk management arrangements by Internal Audit is programmed for 2021-22.

Significant Risks

As SOSE was fully established within the COVID environment, all staff have been appointed through remote recruitment and using communication systems and all have worked remotely for the year. All operations meetings, and Board and Committee meetings have been conducted remotely and all staff and Board Members are enabled to work from home. This has provided benefits of maximising effectiveness through adopting technology and use of electronic systems and by reducing environmental impacts of travelling and commuting. The operating model of SOSE as a virtual and remote working organisation has helped with maximising operational efficiency and resources. SOSE's organisation wide risk framework and risk assessment in particular has been developed in the context of that virtual operation.

During 2020-21, and against the backdrop of the remote working environment under COVID, significant strategic level risks were considered by Board and managed by SLT and were set out in the corporate risk register and at the year end, included the following:

- **Pandemic: Economic**
COVID - 19 direct impacts on businesses and wider impacts on the economy including return to work and SG Policy.
- **Environmental Climate Change**
Impacts on customers, businesses, the community and on Policy, and the resulting challenges for SOSE. Opportunities may come from policy changes that provide SOSE with the chance to influence and create the narrative and landscape.

- **Pandemic: Organisational**
COVID-19 impacts on people, return to work, customer interface and on-site presence.
- **Uncertain Economic Climate**
Brexit: The economic uncertainty and resulting risks from Brexit and during the transition period.
- **Cyber Security**
Potential impacts of a major cyber-attack or cyber incident.
- **Underutilised Budget**
Risks to building a cohesive funding pipeline for future years.
- **People Resilience**
COVID restrictions including working from home may impact negatively on staff health and wellbeing, resulting in social isolation and decrease in mental health. There may also be potential positive impacts from more flexible and hybrid working in the longer-term.
- **Perceived Lack of Governance**
SOSE may require building confidence with Key Stakeholders and Scottish Government.
- **Operational Capacity**
Operational capacity as SOSE becomes established may lead to SOSE being unable to meet demands from customers and SG.
- **Organisational Capacity**
While Service Offers are being fully developed, it may result in customers and partners not being adequately supported.
- **Reputation/Lack of Impact**
Potential reputational risk that SOSE is perceived not to be delivering on the Act may result on our credibility as a new Development Agency.

The impacts of these strategic level corporate risks are assessed in relation to the effects on SOSE's ability to deliver its purpose and strategic objectives. Mitigations are put in place to reduce the potential consequences of risks crystallising, on operational delivery and reputation.

The likelihood and impacts of the risks are assessed and mitigations are applied and planned to treat and manage these by treating the risk directly or by applying additional actions or by putting contingencies in place. The performance report section of this report, highlights the highest rated of the corporate level risks for SOSE in 2020-21.

Fair Work

In line with Scottish Government policy on Human Rights and Fair Work, we have adopted principles and are developing 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.

SOSE is committed to applying Fair Work principles by ensuring it provides and supports work that offers effective voice, opportunity, security, fulfilment and respect to employees and prospective employees.

SOSE encourages 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.

The SOSE Workers Interest Committee had been established for the advancement and in support of human rights, 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 Committee has been set up within the governance structure and will commence meetings in 2021-22.

SOSE's Fair Work Framework embraces the principles to deliver fair work that provides effective voice, opportunity, security, fulfilment, and respect for all employees.

The SOSE (Shadow) Workers Interest Committee will advise the 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

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 is part of induction for all new employees in SOSE and specific Counter Fraud briefings at All-Team meetings have been carried out.

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.

Management of Key Financial Liabilities

SOSE is working to ensure we have arrangements in place to address key areas of financial liability. These areas include property, VAT and loan repayments.

Information Systems and IT Management and Security

Led by the Enabling Services Directorate, the Digital and IT framework underpins SOSE's business and communication systems and management. Following establishment of the Digital and IT Workstream for SOSE, set up by Scottish Government, the transition to SOSE was followed by development of new scope.

Initial SOSE IT & Digital functions included developing the corporate website and SOSE's intranet Hub and SharePoint platform. Shared Services were established with Skills Development Scotland for finance, human resources and other business systems and using the Scottish Enterprise support model. The core operational management CRM Partnership agreement was approved with back-office support and capability put in place through EIS contract. The framework is built efficiently and on stable foundations within the Scottish public sector's established models and systems.

Procedures are in place to ensure information is managed in accordance with legislation and that data is held securely. There have been no major instances of data breaches during the year.

An EIS Security Operations Centre Review by Scottish Enterprise Internal Audit for the four partner organisations including SDS, SE, HIE and SOSE, was conducted in the year and provided assurance on cyber security which remains a key risk to EIS and its partners.

A partner-wide cyber maturity assessment has been completed; and EIS and Partners have progressed development of a Partnership cyber strategy and roadmap. The ongoing EIS cyber improvement programme has also included the implementation of a Security Operations Centre (SOC) which performs vulnerability scanning and IT asset discovery. The implementation of the SOC has been a positive step forward in the cyber security strategy of EIS and aids in aligning to certain controls within the ISO 27001 framework. Good foundations have been established and require further tailoring and strategic alignment with all Partner organisations on the scope of systems and services to derive additional value.

Internal Audit

Scottish Enterprise Internal Audit Shared Service were appointed in 2020 to provide SOSE's internal audit services, including planning for a three-year programme and delivery of an annual plan of work.

The Head of Internal Audit, Alan Browne, reports to the Audit and Risk Committee, communicates and liaises with the Director of Finance and SLT and provides regular reports and progress updates to Committee.

The internal audit function in SOSE follows the guidance in the Scottish Government's Audit Committee Handbook.

The Internal Audit Strategy and Plan are overseen and monitored by the SLT and updates are provided to Committee. The Annual Programme of Work for 2020-21 included reviews of Governance, COVID-19 Response, Key Financial Controls, Operational Activities, Strategy, Procurement, and IT Partnership.

The appointed Head of Internal Audit provides regular updates on the plan and an Annual Internal Audit Report to Committee that is central to providing assurances to Board and Scottish Government. As part of SOSE's internal audit programme of assurance reviews and follow up to recommendations for 2020-21, improvement opportunities have been noted and the improvements in the control framework are monitored and tracked by the Audit and Risk Committee.

Internal Audit provided its clear annual assurance report for 2020-21 to SOSE which includes their opinion that there are no areas of significant control weakness to highlight within the scope of work reviewed for 2020-21 year.

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

SLT combine tracking and updating internal audit recommendations as part of its monitoring of corporate risks. Continual improvement and effectiveness of internal controls is enabled through audit and risk mitigation and action tracking.

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 2020-21.

Under the Public Finance and Accountability (Scotland) Act 2000, the Auditor General for Scotland has appointed Gordon Smail (Audit Scotland) to carry out the external audit for the period ended 31 March 2021.

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 can confirm that I am satisfied with the effectiveness of SOSE's arrangements to ensure appropriate standards of corporate governance and effective risk management. I can also confirm there were no significant control weaknesses, losses or identified lapses in data security or data breaches during the year ended 31 March 2021 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.

Remuneration and Nominations and Human Resources Committee

SOSE's remuneration committee reviews annually the broad policy framework for the remuneration of staff and Directors. This is set within guidelines and recommendations are approved by Scottish Government pay policy and sponsor team.

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. No benefits in kind were made to members of the Board during the period ended 31 March 2021.

The remuneration of the SOSE Board members for the period ended 31 March 2021 was as follows (Audited):

	2020/21	Appointment Expires
	£000	
Professor Russel Griggs OBE*	55 - 60	31 March 2023
Duncan McConchie	5 - 10	8 March 2024
Lindsay McDowall	5 - 10	8 March 2024
Jeremy Sainsbury	5 - 10	8 March 2024
Helen Forsyth	5 - 10	8 March 2024
Alistair Cameron	5 - 10	8 March 2024
Professor Sara Carter**	5 - 10	8 March 2024
Alan Daubney (Co-opted members)	5 - 10	11 March 2022
David Sulman (Co-opted members)	5 - 10	11 March 2022
Hazel Smith (Co-opted members)	5 - 10	11 March 2022
Kate Rowell (Co-opted members)	5 - 10	11 March 2022

* Professor Russel Griggs OBE - Increased duties and activities were undertaken during the COVID-19 pandemic and during the appointment of a permanent Chief Executive.

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

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 20.6% to 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.

The remuneration for the SOSE Leadership Team for the period ended 31 March 2021 was as follows (Audited):

	Full Time Equivalent	Actual for period to 31 March 2021		
	Salary	Salary	Pension benefits	Total
	£000	£000	£000	£000
Nick Halfhide (appointed 03/02/20)	90 - 95	80 - 85	98	180 - 185
Jane Morrison-Ross (appointed 22/02/21)	110 - 115	10 - 15	4	15 - 20
Karen Jackson (appointed 09/12/19)	85 - 90	80 - 85	27	105 - 110
Anthony Daye (appointed 09/03/20)	85 - 90	90 - 95	29	120 - 125
John Evans (appointed 10/03/20)	85 - 90	90 - 95	29	120 - 125
Bryan McGrath (appointed 11/05/20)	85 - 90	75 - 80	78	155 - 160

1. Initially SOSE had two members of the SLT on secondment from other agencies:

- Nick Halfhide from NatureScot (formerly known as Scottish Natural Heritage)
- Karen Jackson from Scottish Government

Their actual salary and pension benefit from 1 April 2020 are reflected in the figures above. Both are members of the Civil Service (and Other) Pension Scheme (CSOPS) and Principal Civil Service Pension Scheme (PCSPS). During the secondment period these employees remain fully paid substantive employees of their respective Bodies and employment costs were recharged to SOSE. Karen Jackson was directly employed by SOSE in October 2020.

2. Actual figures for Anthony Daye and John Evans cover a period greater than 12 months.

3. Pension benefits accrued for B McGrath are higher in the period due the transfer of final salary pensionable service from previous public sector employment.

4. 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)

Reporting bodies are required to disclose the relationship between the salary of the most highly paid director in their organisation and the median earnings of the organisation's workforce. The banded salary of the most highly paid director in SOSE in the financial year 2020/21 was £110k - £115k. This was 2.5 times the median salary of the workforce, which was £45,320.

In the period remuneration (excluding the highest paid director) ranged from £24k - £87k. No employee received remuneration in excess of the highest paid director.

	2020/21
Highest Paid Director Total	£110k - £115k
Median Total Remuneration	45,320
Ratio	2.5

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.

Name	Accrued pension at pension age at 31 March 2021	Accrued lump sum at pension age at 31 March 2021	Real increase in pension for period to 31 March 2021	Real increase / (decrease) in lump sum for period to 31 March 2021	CETV at 31 March 2021 (unless noted otherwise)	CETV at 31 March 2020	Real increase in CETV
	Band - £5000	Band - £5000	Band - £2500	Band - £2500	£000	£000	£000
Nick Halfhide*	40 – 45	-	5-7.5	-	695 (28/2/21)	598	74
Jane Morrison-Ross	0-5	-	0-2.5	-	3	N/A	3
Anthony Daye	0-5	-	0-2.5	-	19	N/A	9
John Evans	0-5	-	0-2.5	-	25	N/A	25
Bryan McGrath	35-40	60-65	2.5-5	5-7.5	649	571**	78
Karen Jackson	0-5	-	0-2.5	-	11	N/A	11
Karen Jackson*	25-30	55-60	0-2.5	(0-2.5)	514 (30/9/20)	490	7

* Nick Halfhide and Karen Jackson were on secondment, relating pension assets are held by NatureScot and SG respectively. Karen's pension figures are presented over two rows as she was a member of the civil service and local government pension schemes over the period. The first row represents the local government scheme and the second row represents the civil service scheme.

** CETV value on leaving former LGPS employer.

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 Numbers and Cost

	Permanent Staff	Other Staff	Total Staff
	£000	£000	£000
Wages and Salaries	2,373	17	2,390
Voluntary Severance Packages	-	-	-
Pension Costs	485	3	488
Social Security Costs	257	2	259
Contract/Temporary Staff*	-	490	490
Holiday Pay Accrual	158	2	160
Total	3,273	514	3,787
Board Members' Remuneration	140	-	140
Total	3,413	514	3,927

* Reported in other management expenditure in comprehensive net expenditure.

Average number of employees

	Permanent Staff	Other Staff	Total Staff
Senior Leadership Team	5	-	5
Outward/Client Facing	50	-	50
Professional and Administrative Staff	8	3	11
Total	63	3	66

Employees by Gender

At the end of the financial year the number of persons of each gender was as follows:

SOSE Staff:

	Male	Female	Total
Board	6	5	11
Leadership Team	3	2	5
Other Employees	28	48	76

Sickness Absence

The attendance record for SOSE for the year to 31 March 2021 was 8 days sick leave out of a total of 11,863 possible working days representing a lost time through rate of 0.07%.

SOSE started operations in March 2020 however no sick leave was recorded in this month and has not been taken into account in the calculation above.

Turnover rate

During the period there was 3.7% staff turnover.

Early retiral and severance (Audited)

During the period there were no exit packages agreed.

Trade Union Facility Time

SOSE recognises one trade union for the purpose of collective bargaining, Public and Commercial Services Union (PCS).

We recognise the benefits of a positive and open relationship with our recognised trade union. We continue to work in partnership and have set up our Joint Consultation and Negotiating committee for collective bargaining purposes. SOSE did not have a trade union official during 2020/21 and is working to recruit its first.

Staff Policies in respect of disabled persons

SOSE is recognised as a Disability Confident employer, and as such has signed up to the 1st level of the Government's Disability Confident Scheme which replaced the former Positive About Disabled "Two Ticks" Scheme. As such, SOSE has demonstrated that it has met all core criteria associated with the following themes:

- Ensure our recruitment process is inclusive
- Communicate and promote vacancies
- Offer an interview to disabled people if minimum criteria are met
- Anticipate and provide reasonable adjustments as required
- Support any existing employee who acquires a disability or long- term health condition, enabling them to stay in work
- Offer work experience opportunities, work trials, apprenticeships, job shadowing opportunities, traineeships, paid internships, student placements.

During 2021/22 we will work towards achieving the 2nd level of the disability confident scheme.

Diversity and Inclusion

Our inclusive working environment is enhanced by flexible working and all staff have the option to work flexibly on an informal basis.

During the covid pandemic all staff have been offered flexible working to juggle the demands of home schooling and caring responsibilities, SOSE will continue to offer this flexibility as required.

SOSE has a suite of family friendly and flexible working policies that help all our employees balance the demands of work and home, whether that's for childcare, foster care, eldercare, young people, community volunteers.

To promote and encourage greater diversity and inclusion, we ensure that the default position for all roles advertised in SOSE is that they can be done from a flexible location unless there is a specified overriding business consideration. We also include in our advertisements that flexible working arrangements will be considered.

Building our capability

We have set up SOSE during the Covid pandemic and the overwhelming majority of staff have been recruited and inducted during lockdown. All staff have received fully operational IT equipment prior to starting.

We have also worked with the RNHR Committee to set out our SOSE workforce plan to ensure that we are able to serve the organisations and communities within the South of Scotland.

We are building a strong team in SOSE and we want to use all the strengths of that team. We have conducted a skills survey to find out about the unseen skills and talents of our team and so that we can use these talents across SOSE to the benefit of colleagues and those we serve.

We have also prioritised mandatory governance and job-related training and development and all staff have either completed or will complete within four weeks of starting the mandatory training on key policies and procedures.

We are also developing our values-based leadership programme for all SOSE staff to embed our values together with the introduction in 2021/22 of 'The SOSE Way' that will ensure a consistent introduction to the organisation for all staff.

Parliamentary Accountability Report and Audit Report

The results for the year to 31 March 2021 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 from rental property.

SOSE received a start-up grant from Scottish Government of £0.255m to enable set up, allocating £0.165m toward capital costs and £0.090m for revenue spend. The original Grant in Aid allocated to SOSE was £24.800m, this was made up of £11.400m Resource, £8.400m Capital and £5.000m Financial Transactions. As the year progressed and SOSE went through both the Autumn budget review and Spring budget review this was adjusted through net transfers. The final Grant in aid allocation was £23.398m was made available to SOSE from the Scottish Government, comprising of £14.453m Resource and £8.945m Capital.

The figures above do not include non-cash items, separate budgets have been provided for these as detailed in the table below.

The resource budget received net transfers in of £3.053m, this was made up of transactions relating to Scottish Wedding Industry Fund (SWIF), Hotel Support Programme, transfers to Scottish Enterprise and Scottish Government for legacy programmes set up via South of Scotland Enterprise Partnership, as well as receiving an additional £0.200m revenue.

SOSE had an underspend of £1.774m, this largely related to SWIF (£1.411m), in which SOSE did not draw down the full resource funds as agreed with Scottish Government.

SOSE received additional income from business receipts during the period totalling £0.494m, this primarily relates to rental income. The final income received was slightly higher than expected and this contributed to the additional underspend in resource.

The capital budget was fully utilised during the year and a request for additional funding was provided to SOSE by Scottish Government, allowing SOSE to assist clients further than the original budget would allow.

Of the £23.398m grant in aid the Scottish Government made available to SOSE, £21.896m was drawn down.

The full value available for Financial Transactions was not drawn down, as SOSE was not able to utilise these funds during the year. This was agreed during the Spring Budget Review with Scottish Government.

The Scottish Government has awarded SOSE Budget for 2021/22 of £36.700m 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 Resource Outturn

	Expenditure	Income	Outturn	GIA & Grant Allocation	Variance
	£000	£000	£000	£000	£000
Resource Budget	13,290	(524)	12,766	14,543	(1,777)
Capital Budget	9,113	0	9,113	9,110	3
	22,403	(524)	21,879	23,653	(1,774)
Non-cash costs including depreciation	96	0	96	2,500	(2,404)
Annually managed expenditure	2,291	0	2,291	303	1,988
Total	24,790	(524)	24,266	26,456	(2,190)

The outturn figure for resource and capital is reconciled to the Total Comprehensive Expenditure in note 2 on page 98.

Losses and Special Payments

The Scottish Public Finance Manual requires total losses and special payments exceeding £300k to be disclosed. SOSE has nothing to report for the period to 31 March 2021 relating to losses and special payments.

Fees and charges

The Fees and Charges guidance in the Scottish Public Finance Manual require charges at market rates whenever applicable. SOSE has nothing to report for the period to 31 March 2021 relating to fees and charges.

Gifts

The Scottish Public Finance Manual requires gifts to be reported and individual gifts of more than £250k to be noted separately. SOSE has nothing to report for the period to 31 March 2021 in respect of gifts.

Jane Morrison-Ross

J Morrison-Ross

Chief executive and accountable officer

South of Scotland Enterprise

27 August 2021

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 period ended 31 March 2021 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 a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2020/21 Government Financial Reporting Manual (the 2020/21 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the South of Scotland Enterprise Act 2019 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2021 and of its net expenditure for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 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 7 January 2020. The period of total uninterrupted appointment is one year. 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.

Risks of material misstatement

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), 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 deemed inappropriate.

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 economic 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:

- obtaining an understanding of the applicable legal and regulatory framework and how the body is complying with that framework;
- identifying which laws and regulations are significant in the context of the body;
- assessing 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 to detect material misstatements in the financial statements in respect of irregularities, 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 part 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 part of the Remuneration and Staff Report has been properly prepared in accordance with the South of Scotland Enterprise Act 2019 and directions made thereunder by the Scottish Ministers.

Statutory other information

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

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or my knowledge obtained in 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 statutory 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 statutory 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 part 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 120 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.

Gordon Smail

Gordon Smail
Audit Director
27 August 2021
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

Financial Statements

South of Scotland Enterprise

Statement of comprehensive net expenditure for the period from 16 October 2019 to 31 March 2021

	2021	
	Notes	£000
Expenditure from Activities		
Operating expenditure	4	16,948
Net management expenditure on staff costs	6	3,437
Other management expenditure	6	2,464
Depreciation and amortisation	6	96
		22,945
Income		
Income from activities	3	(466)
Other income	3	(28)
		(494)
Net operating expenditure		22,451
Land and property transfer from Scottish Enterprise	8	(2,455)
Other finance charges	5	7
Interest receivable	5	(30)
Net expenditure after interest		19,973
Taxation	7	17
Net expenditure		19,990
Other comprehensive expenditure		
Items that will not be reclassified to net expenditure		
Actuarial losses recognised in retirement benefit scheme		1,617
Other comprehensive expenditure for the period		1,617
Total comprehensive net expenditure for the period		21,607

The notes on page 88 to 114 form part of these accounts.

South of Scotland Enterprise

Statement of financial position as at 31 March 2021

	2021	
	Notes	£000
Non-current assets		
Property, plant and equipment	8	2,417
Current assets		
Trade and other receivables	10	261
Cash and cash equivalents	11	1,042
Assets classified as held for sale	12	153
Total current assets		1,456
Total assets		3,873
Current liabilities		
Trade payables and other current liabilities	13	(869)
Taxation payable	13	(179)
Total current liabilities		(1,048)
Assets less liabilities		2,825
Non current liabilities		
Retirement benefit obligation	14	2,281
Assets less liabilities		544
Taxpayers' Equity		
General reserve		2,024
Revaluation reserve		137
Pension reserve		(1,617)
Total Equity		544

The notes on page 88 to 114 form part of these accounts.

The Accountable Officer authorised these financial statements for issue on 27 August 2021

Jane Morrison-Ross

J Morrison-Ross

Chief executive and accountable officer
South of Scotland Enterprise

South of Scotland Enterprise

Statement of cash flows for the period from 16 October 2019 to 31 March 2021

	2021	
	Notes	£000
Cash flow from operating activities		
Profit/(loss) before taxation		(19,973)
Adjustments for:		
Land and property transfer from SE	8	(2,455)
Depreciation	8	96
Movement in pension	14	664
Interest received	5	(30)
(Increase) in trade and other receivables		(271)
Provision for irrecoverable debts and losses		10
Increase in trade and other payables		1,006
Movement in deferred income		25
Taxes paid		-
Net cash outflow from operating activities		(20,928)
Cash flows from investing activities		
Payments to acquire plant and equipment	8	(211)
Interest received	5	30
Net cash outflow from investing activities		(21,109)
Cash flows from financing activities		
Grant and Grant in aid from Scottish Government		22,151
Net cash from financing activities		22,151
Net increase in cash and cash equivalents		1,042
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period		1,042

The notes on page 88 to 114 form part of these accounts.

South of Scotland Enterprise

Statement of changes in taxpayers' equity for the period from 16 October 2019 to 31 March 2021

	2021			£000
	General reserve	Revaluation	Pension reserve	
Changes in taxpayers' equity 2020-21				
Net expenditure during the year*	(19,990)			(19,990)
Asset transfer from Scottish Enterprise - revaluation	(137)	137		-
Actuarial gain / (loss)			(1,617)	(1,617)
Total recognised income and expense for 2020-21				
Grant and Grant in Aid from Scottish Government	22,151			22,151
Balance at 31 March 2021	2,024	137	(1,617)	544

* Net expenditure includes land and buildings valued at £2.455m transferred from Scottish Enterprise on 1 June 2020 by Machinery of Government. As a result of the transfer a revaluation reserve of £0.137m was also transferred from SE.

Pension reserve is the accumulated deficit from the SOSE pension plan.

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 2020/21 Government Financial Reporting Manual (FReM). The accounting policies contained in the FReM follow generally accepted accounting practice for companies (GAAP) to the extent that it is meaningful and appropriate to the public sector.

Where the FReM 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 FReM 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".

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 14)
- Land and property (Note 8)

Assets classified as held for sale are held at the lower of carrying amount or fair value less costs to sell. (Note 12)

Going Concern

The Board and Accountable Officer have considered the resource budget for 2021/22, 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 aims as set out for SOSE by Scottish Government in our Interim Letter of Guidance. Considering available budget together with SOSE's closing balance sheet position as at 31 March 2021, net assets of £0.544m, 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 finance 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. Grants from controlling parties were also received and accounted for in the same way as Grant in Aid.

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. The Financial Transaction funding for 2020/21 was returned to Government.

Property, plant and equipment

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

- **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. The last valuation date being 31 March 2020 prior to the transfer of land from SE.

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 less any impairment charges. Once completed 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.

SOSE hold Information Technology assets which are depreciated on a straight-line basis to allocate their cost to their residual values over their estimated useful life of 3 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 valuation process.

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.

There was no impairment during the period.

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.

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.

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.

Trade receivables are principally in relation to tenanted properties and the debt management administered by Collier International Property Limited.

- **Expected credit losses**

SOSE assesses, on a forward-looking basis, the expected credit losses associated with its 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.

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 debts are written off at the earliest opportunity. Provision is made for debts which are considered unlikely to be recovered. See section on expected credit loss page 91.

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.

Leasing

Leases where most of the risks and rewards of ownership of the asset remain with the lessor are classified as operating leases. Operating lease payments are recognised in the Statement of Comprehensive Net Expenditure on a straight-line basis over the lease term. The benefit of any lease incentive is recognised as a reduction in rental expense on a straight-line basis over the life of the lease.

SOSE do not currently have any finance leases.

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

Tax on the net expenditure for the year comprises current 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.

SOSE's principal income comes from Grant in Aid received from the Scottish Ministers and is not taxable.

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.

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, bonuses 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.

Contingent Asset

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

Critical accounting estimates and judgements

The preparation of the accounts in conformity with IFRS requires the Board and Accountable Officer 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.

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 is as follows:

- **Valuation of non-current assets**

SOSE will commission a valuation of land and buildings held for commercial and own use on a triennial basis.

The last valuation date being 31 March 2020 prior to the transfer of land from SE.

- **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.

Other key assumptions for retirement benefit obligations are based in part on current market conditions. Additional information is disclosed in Note 14.

- **Fair value of financial instruments**

The fair value of financial instruments that are not traded in an active market is determined by using judgement and assumptions that are mainly based on external market conditions existing at the date of each Statement of Financial Position.

Accounting standards issued not yet adopted

There are new accounting standards that have been issued but have not yet been applied by SOSE in these financial statements. The standards that are considered relevant to SOSE are as follows:

- **IFRS 16 – Leases**

Subject to EU adoption and Exposure Draft process this standard will be included in the FReM with effect from 2022/23. 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. The impact on the accounts has not been determined.

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 directorate with the exception of asset additions, payroll and estate costs which are monitored individually. With a high-level focus on grant expenditure these are also monitored by fund types. Income is monitored by income source.

Segmental Information

For the period ending 31 March 2021

	2021
	£000
Expenditure	
Operating Projects:	
SOSE Projects approved	1,604
Crisis Fund	3,767
Adaptation and Diversification Fund	6,056
Hotel Support Programme	848
Community Asset Development	1,746
Community Ideas Fund	160
Scottish Wedding Industry Fund	1,700
Total project expenditure	15,881
Directorate expenditure:	
Operations	473
Finance	439
Strategy, Partnerships and Engagement	213
Enabling services	1,368
Total directorate expenditure	2,493
Other expenditure:	
Payroll expenditure	3,437
Estate expenditure	381
Equipment additions	211
Total other expenditure	4,029
Total Gross Expenditure	22,403

	2021
	£000
Income	
Income source:	
Property rental	(466)
Bank interest	(30)
Grants received	(28)
Total other income	(524)
Net expenditure funded by core SG income	21,879
Reconciliation to total comprehensive net expenditure	
Total comprehensive net expenditure	21,607
Land and property transfer from Scottish Enterprise	2,455
Pension (IAS 19)	(2,281)
Depreciation	(96)
Capital additions	211
Tax provision and charges	(17)
Net expenditure funded by core SG income	21,879

3. Income from operating activities

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

	2021
	£000
Income from Activities	
Property rental	466
Other Income	
Grants income	28
	494

4. Expenditure on operating activities

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

	2021
	£000
Expenditure from Activities	
Project expenditure	15,881
Operation directorate expenditure	473
Strategy, Partnership and Engagement directorate expenditure	213
Rental properties expenditure*	381
Total expenditure on operating activities	16,948

* 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 4.42% floor space occupied by SOSE.

5. Other finance (income) / charges

	2021
	£000
Interest receivable	
Bank interest receivable	(30)
	(30)
Other finance (income) / charges	
Interest income on retirement benefit assets	(6)
Interest on retirement benefit scheme obligations	13
Total other finance charges	7

6. Administration and management charges

	2021
	£000
Continuing operations	
Staff and board member salaries	3,277
IAS 19 Holiday accrual	160
	3,437
Travel and subsistence – board members	-
Travel and subsistence – staff	2
Audit fees*	153
Other admin costs	2,309
	2,464
Depreciation of fixed assets	96
Total administration and management charges	5,997

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, £95,000.

7. Taxation

	2021
	£000
Current tax	
Current tax on profits for the year	17
Tax per statement of comprehensive net expenditure	17
	2021
	£000
Current tax on profits for the year	
Taxable profit for the period	66
Tax on profit at standard UK tax rate of 19%	13
Effects of expenses not deductible	4
Tax charge for the period	17

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

8. Property, plant and equipment

Upon establishment SOSE agreed a Memorandum of Understanding including a Machinery of Government Transfer between Scottish Enterprise (SE) and SOSE. As there was a transfer of function from SE to SOSE, the land and property transferred on 1 June 2020 has been accounted for by transfer of absorption with the relating expense recognised in the Statement of Comprehensive Net Expenditure.

Reclassification of £153k relates to Cargenbridge Business Park land held for sale where the land is actively marketed and a sale is anticipated to complete within one year.

SOSE will revalue land and buildings on a triennial basis, previous valuation was as at 31 March 2020 prior to the transfer from Scottish Enterprise.

	Land	Buildings	IT equipment	Total
	£000	£000	£000	£000
Cost				
Transfer from SE	1,030	1,425	-	2,455
Additions			211	211
Reclassification	(153)			(153)
At 31 March 2021	877	1,425	211	2,513
Depreciation				
Charged in year	-	(41)	(55)	(96)
Net book value				
At 31 March 2021	877	1,384	156	2,417

9. Contingent assets

SOSE recognise the following 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:

1. Currie European Transport Limited received a £250,000 repayable grant on the condition of repayments being due after April 2022 when a monthly profit of £50,000 is achieved. This profit will trigger a monthly payment required each month the profit threshold is achieved until the full value is repaid.
2. CX-Secure Ltd received a convertible grant of £200,000, convertible upon the following potential future events; sale, listing, relevant fund raising or at SOSE's request. Should a conversion event or request be issued SOSE may convert all or any part of the grant into shares at the conversion price.

10. Trade and other receivables

	2021
	£000
Trade receivables	61
Allowance for credit loss	(10)
Prepayments	55
Other receivables	155
	261

	2021
	£000
Analysis of trade and other receivables within boundaries for whole government accounts	
Balances with local authorities	21
Balances with bodies external to government	240
	261

11. Cash and cash equivalents

	2021
	£000
Opening balance	-
Net change in cash and cash equivalent balances	1,042
Balance as at 31 March 2021	1,042

12. Assets classified as held for resale

Land and buildings available for sale and where the sale is anticipated to complete within one year are included as current assets. The commercial land at Cargenbridge Business Park is being actively marketed and expect some of the land to sell in the next financial year.

	Land	Buildings	Total
	£000	£000	£000
Transfer to/(from) assets held for resale	153	-	153
Other costs associated with sale of assets	-	-	-
At 31 March 2021	153	-	153

13. Trade payables and other payables: falling due within one year

	2021
	£000
Trade payables	431
Accruals	413
Deferred income*	25
Trade payables and other current liabilities	869
Taxation and social security	162
Corporation tax	17
Taxation Payable	179
Total trade payables and other payables: falling due within one year	1,048

* Deferred income includes rent income £11k and deferred grant income £14k

	2021
	£000
Analysis of trade and other payables within boundaries for whole government accounts	
Balances with central government bodies	184
Balances with local authorities	102
Balances with similar public bodies	205
	491
Balances with bodies external to government	557
	1,048

14. 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. 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 20.6% 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 2021. Due to the significant increase in member numbers since the valuation date the funding position of SOSE at 31 October 2020 has been considered when calculating the contribution rates and projections.

Valuation

The valuation at 31st March 2021 indicated a liability of £2.3 million 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 has risen marginally by 0.5% from 1 April 2021 to 21.1% on pensionable salaries, rising again on 1 April 2024 to 21.6%.

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 21
Rate of salary increases	3.50%
Rate of pension increase CPI	2.80%
Discount rate	2.05%

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

Assets expected rate of return	31 March 21
	£000
Equity Securities	720
Real Estate	310
Investment funds and unit trusts	1,725
Cash and cash equivalents	51
Fair value of plan assets	2,806
Present value of scheme liabilities	(5,087)
Net pension liability	(2,281)

The current values show a liability of £2.281m on 31 March 2021.

Retirement Benefit Obligation

Analysis of the amount charged to SCNE	31 March 21
	£000
Current service cost	1,145
Interest income on retirement benefit assets	(6)
Interest on retirement benefit scheme obligations	13
Net pension scheme expense	1,152
Analysis of the amount recognised in SOCEs	
Return on assets excluding net interest	(2,140)
Other experience losses arising on the scheme liabilities	3,396
Changes in demographic assumptions underlying the present value of scheme liabilities	(5)
Changes in financial assumptions underlying the present value of scheme liabilities	366
Defined benefit cost recognised in SOCE	1,617
Reconciliation of defined benefit obligation	
Opening obligation	-
Movement in year	
Current service costs	1,145
Interest cost on defined benefit obligation	13
Contributions from members	172
Changes in assumptions	361
Other experience*	3,396
Closing of defined benefit obligation	5,087
Reconciliation of fair value of plan assets	
Opening fair value of plan assets	-
Movement in year:	
Contributions from members	(172)
Contributions by employer	(488)
Interest income on plan assets	(6)
Return on plan assets*	(2,140)
Closing fair value of plan assets	(2,806)
Net pension liability	2,281

*Other experience and return on plan assets are increased by a number of past service benefits transferred by members. The cash equivalent transfer value payments received totalled £1.830m and have been revalued based on current assumptions to £3.300m causing a liability to the balance sheet of £1.470m.

Expenditure recognised in the statement of comprehensive net expenditure

	31 March 21
	£000
Other management expenditure	657
Other finance charges	7

The total loss amount recognised in the statement of other comprehensive net expenditure in respect of actuarial losses is £1.617m

Mortality

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2020 model, with a 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment of 0.5% 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

	Male	Female
Current Pensioners	20.9 years	23.5 years
Future Pensioners*	21.8 years	25.4 years

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

Sensitivity

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

Change in assumptions at 31 March 2021	Approximate % increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in real discount rate	14%	708
0.5% increase in the salary increase rate	4%	191
0.5% increase in the pension increase rate	10%	493

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.

Risks

Through its defined benefit pension scheme, SOSE is exposed to a number of risks, the most significant of which are noted below:

Volatility: The scheme obligations are calculated using a discount rate set with reference to corporate bond yields and if scheme assets underperform this yield a deficit will be created. The pension scheme holds a number of equities which are expected to outperform corporate bonds in the long-term although exposing the fund to volatility and risk in the short term.

Inflation rate: The majority of the scheme obligations are linked to inflation, consequently higher levels of inflation in the future will lead to higher liabilities.

Life expectancy: The majority of the scheme obligations are to provide benefits for the life of the member therefore increasing life expectancy of members will result in an increase in scheme liabilities

15. Commitments

	2021/22	2022/23	2031/24	2024/25	Total
	£000	£000	£000	£000	£000
Programme Commitments:					
Capital commitments	4,473	922	-	-	5,395
Revenue commitments	1,571	1,341	1,142	1,004	5,058
Total Programme Commitments	6,044	2,263	1,142	1,004	10,453

SOSE agree grant projects with commitments extending beyond one financial year and note the above committed expenditure not recognised as a liability. The future of these are dependent upon successful completion of the project prerequisites by the grant recipients and will be met from SOSE's future Grant in Aid funding from the Scottish Government.

16. Financial Commitments

Future minimum payments due under non-cancellable operating leases

SOSE lease 50% of the floor space at Carmont House in Dumfries from Scottish Enterprise for office accommodation. The original term of the lease was 3 years. Commitments include non-recoverable VAT.

	as at 31 March 2021
	£000
	Property
Obligations under operating and similar leases	
Within one year	86
Within two to five years	43
In over five years	-
	129

Future minimum rentals receivable under non-cancellable operating leases

SOSE's owned property 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 SOSE properties.

	2021
	£000
	Property
Receivable under operating and similar leases	
Within one year	240
Within two to five years	328
In over five years	-
	568

17. Transactions involving Board members' and Directors' registered interests

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

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

Business	Amount approved in year	Amount paid in year	Nature of transaction	Board member	Interest
Scotmas	£100,000	Administered by SOSE paid by SE	Perf funding	A Cameron	Executive Director
Scotmas	£50,000	£47,740	Capital Grant	A Cameron	Managing Director
ReTweed Scottish Charity & Social Enterprise	£8,015	Administered by SOSE paid by SE	Perf funding	H Smith	Executive Director
GG's Yard	£60,000	Administered by SOSE paid by SE	Perf funding	D McConchie	Proprietor
GG's Yard	£25,000	£25,000	Scottish Wedding Industry Funding	D McConchie	Proprietor

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:

1. Biosphere
2. CX Secure Ltd (Chapel Cross)
3. SOS Regional Economic Partnership

18. 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

19. 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 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 of actual performance against budgets and forecasts.

The table below details the contractual maturities of financial liabilities.

	£000
	Within one year
Financial Liabilities	
Trade and other payables	1,048
	1,048

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 the trade receivables.

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.

SOSE is developing processes and procedures to capture appropriate checks on potential customers before significant sales transactions are entered into in order to mitigate 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.

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:

	2020
	£000
	Within one year
Financial Assets	
Trade and other receivables	271
Cash and cash equivalents	1,042
	1,313

The ageing of trade and other receivables at 31 March was

	2020	
	Gross	Provisions
	£000	£000
Not passed due	211	
Past due 0 to 30 days	4	
Past due 31 to 120 days	34	
Past due more than 120 days	22	10
	271	10

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:

	2020
	£000
Variable rate instruments	
Cash and cash equivalents	1,042

SOSE do not believe our Financial Assets are significantly affected by market rate. As at the 31 March 2021 the cash and cash equivalents are not receiving interest. Interest receivable for SOSE 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

	2020/21	
	£000	£000
Cash and cash equivalents	Increase	Decrease
31 March 2021	66	43

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 2021 there were no balances in the Statement of Financial Position held out with functional currency.

20. Events after the reporting period

The management have considered the 2021/22 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 (FReM) 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.

