



# Annual Report and Accounts

01 April 2021 – 31 March 2022



**SOUTH** of  
**SCOTLAND**  
**ENTERPRISE**

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## South of Scotland Enterprise Act 2019

Accounts of the South of Scotland Enterprise (SOSE) are prepared pursuant to section 15 of the South of Scotland Enterprise Act 2019, for the year 01 April 2021 to 31 March 2022. Together with the independent auditor's report to the members of SOSE, the Scottish Parliament and Auditor General for Scotland.

# Performance Report

# Chair's Foreword

Through collaboration, determination, and a willingness to do what is right, SOSE has made sure the South of Scotland is prepared for the future and is getting ready for success.

Our work through the pandemic has been to help our people, businesses and communities get through what has been an extremely challenging time. That is the backdrop to the achievements captured in this report.

We launched South of Scotland Enterprise on 1 April 2020 at the beginning of one of the biggest crises in living memory – and I am proud of the support we have been able to offer our region at this time of crisis, and of our staff who have worked tirelessly to ensure that support was delivered efficiently and effectively.

As we start to emerge from the COVID-19 pandemic, we have also been beginning to focus on building a good foundation for the South of Scotland's future. This report reflects how we have gone about doing that. Throughout all of this we have remained true to our vision – to be bold, ambitious, and different.

We aim to not only think differently but act differently in order to drive, for everyone who lives here, inclusive economic growth for the South of Scotland. The reason for this is simple – the South of Scotland we represent IS different, and after all – we are the economic and community development agency for all the people in the South of Scotland.

This report highlights the breadth of the businesses, communities, social enterprises and individuals we have worked with, and continue to do so. It also shows how flexible and open to any ideas we are, provided they contribute to the vision we all share for the South.

This shared vision is encapsulated in our work with regional and national partners in the creation of the South of Scotland [Regional Economic Strategy \(RES\)](#), published in September 2021 and a delivery plan which was published in December 2021. Our RES, alongside and aligned to the Scottish Government's new National Strategy for Economic Transformation (NSET), demonstrates how we and our partners are perfectly placed to help shape a positive future for our region.

Listening to a range of different people is what we are here to do, and every voice must be heard. That is why I was delighted, as restrictions lifted, to have the opportunity to meet so many people along with our Chief Executive, Jane Morrison-Ross, during our engagement tour, which saw us visit 23 towns and villages and talk to almost 500 people right here in the South of Scotland.

We have always said we cannot be the economic and community development agency for the people unless we hear direct from them, and each engagement tour event gave us plenty to take away and consider for future plans. In the end it is the population of the South who will judge us.

We know, for example, that sometimes a little bit of support, whether it is expertise, insight or financial can lead to a big impact, far greater than we ever could have been imagined. We are proud of these stories and cannot wait to be able to tell more this year.

Our Board has shown true commitment and passion for the region and has brought vital knowledge and experience to help make important decisions and set our strategic direction, as well as getting their sleeves rolled up and helping when required in many ways.

I would like to thank our four co-opted members who have been with us for the first two years – Alan Daubney, David Sulman, Hazel Smith, and Kate Rowell who have now left us. Their knowledge and passion for the South has helped get us to where we are today.

On 1 April 2022, we welcomed four new Board Members – Emma Guy, Kirsten Hannay, Paul Winstanley and Viv Cockburn – who all bring different relevant skills and experience, and all have extensive knowledge of the South.

Finally, a thank you to our staff – ‘Team SOSE’ – who are a talented group of people, who work extremely hard, and who simply love to play their part to help the South of Scotland flourish. They have gone above and beyond in our first two years. Without them and our Board members, we would not be where we are today.

In the end we all work for each other in SOSE and it is that collegiate and team approach that allows us to be the organisation we want to be to serve the population of the South of Scotland.

I look forward with excitement and optimism to the year ahead and our continued and reenergised efforts to listen, be innovative, different and deliver for you the people of 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

'Respair' means the return of hope after a period of despair, to look ahead with hope to the future.

That is what we have the opportunity to do now. To look to the future with real optimism and ambition for the South of Scotland.

With that in mind, I am delighted to welcome you to our second Annual Report which gives an overview of our activity over the financial year 2021/22.

Our focus remains firmly on the wellbeing of our communities, economy, and our environment – on people, prosperity and the planet.

Over the last year, we have remained dedicated to helping those in need as well as helping businesses and communities who are creating opportunities for the future.

It has been crucial for us to not lose sight of our ambition for the region during the pandemic – so our second year has seen us increasingly looking to the future to ensure we listen, be innovative, different and deliver for the South of Scotland.

We have incredible, innovative outward looking industries in the South of Scotland, and are leading the way on Fair Work and Net Zero making the South of Scotland an even more attractive place to live, work and learn.

It has always been a priority for us to listen to the people of the South, and as soon as we could do so safely, we embarked on a region-wide tour of the South of Scotland. It has been a real privilege for Russel and I to meet so many people and hear from seldom heard voices.

I would like to thank everyone who attended one of the many events, or who has contributed to our plans through the other communication channels we made available. We can assure you everything we heard is valued and helps shape our action plan, which we will publish this coming year.

We have continued to make some bold decisions and form key strategic partnerships to drive positive economic growth.

Innovation for example, is key to realising our ambitions for the South of Scotland, and we are working with partners to bring new opportunities to our region, and to unlock potential and drive forward inclusive economic growth.

The South of Scotland now also has its first ever Regional Economic Strategy (RES) and accompanying action plan. This is a first for the region to have a collective vision for the South.

Having this in place allows everyone to work towards a shared vision - for a greener, fairer and flourishing region.

Helping shape the RES, has also helped us to shape our own offer as an organisation. Now with 134 passionate and talented staff (an increase of 67% over the year), we have a passionate team with the desire to be different, to drive innovation, to create opportunities for change and grow our economy, communities and environment.

Our RES is well aligned with the National Strategy for Economic Transformation from Scottish Government and this puts us in a good place, with our values being at the heart of all that we do.

We will continue to build on the amazing foundations we have here in the South of Scotland.

Through genuine collaboration, and having ambition and belief, we can show the world that South of Scotland is a force to be reckoned with.

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

**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 an 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.

We were established through the South of Scotland Enterprise Act 2019, assuming our powers and launching on 1 April 2020.

Launching in the midst of a global health pandemic necessitated us to hit the ground running. This momentum, working at pace and a staunch tenacity to make a difference to those businesses and communities most in need has been sustained and unfettered across our second year of operating – the financial year 2021/22.

Notwithstanding a relentless focus on supporting businesses and communities in the South of Scotland to adjust to the prevailing impacts of COVID-19, as well as those associated with adjusting to life outside of the European Union, our second year has seen us increasingly look to the future too. Accordingly, we have taken the opportunity to restructure and refocus our growing organisation, ensuring we are well placed to play our part in realising the vision for a Greener, Fairer and Flourishing South of Scotland by 2031.

Our management structure remains largely unchanged, although it has been strengthened through the addition of a fifth director. Similarly reporting to the CEO and Board, the focus of this new director is on accelerating the regions Just Transition to Net Zero, including capitalising on the economic opportunities doing so presents.

### 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: Proud to be different

We have been established to bring a fresh approach to making things happen in the South, and we have been working hard across all that we do to live up to this expectation.

“

**We are driven by a Board that is passionate about the South...**

*Our Board has shown true commitment and passion for the region and have brought vital knowledge and experience to help make important decisions and set our strategic direction.*

*I am really passionate about the South of Scotland and the South of Scotland Enterprise and the work we're doing. I believe the work we are doing is actually fairly unique through the work we do with communities, with small businesses (as in one-person businesses); with people who are just beginning; with people who have been working for some time; and through our work to support people through crisis. The wide variety of things we do takes my breath away. I believe we can do more, and help the South of Scotland to be a really successful place.*

**Helen Forsyth,  
SOSE Board Member  
(watch Helen's interview here)**

”

“

**We are committed to working with businesses, organisations and people on an ongoing basis....**

*We've had a lot of help from South of Scotland Enterprise. We have a contact there and when I went to SOSE with my business plan they helped us with a market scan so that we could identify what cafes we would go out to in Dumfries & Galloway during our trial. We're also talking to them about where our strategy is moving forward so we can expand the business.*

**Marian Brown,  
Director, Ostrero /Yo Yo Cups  
(watch the case study)**

“

*I would just say, pick up the phone and ask a question. They're really friendly, really easy to speak to. And even if they don't have the answer, they'll know someone who does. So they'll be able to put you in the right direction.*

**Hermione Hoffman,  
General Manager, Paxton House**

”

“

**We are here to build for the long term...**

*As a funder its quite unique for SOSE to look at everything about us, giving us support with the business, how we increase staff training through to looking at how we can support everybody around us to become better and also just for us to be here long term.*

*This is not just a short term vision, but just to have all the expertise and the resources and the fact SOSE care about us, gives us that extra responsibility to do more for them as a funder and vice versa.*

*We have been very fortunate that SOSE are here for the long term and that's quite unique.*

**David Bradbury,  
Chief Executive, Lets Get Sporty  
(watch the Let's Get Sporty case study)**

”

“

**We are a new and louder voice for the South...**

*We will work with whoever we need to in order to provide a single and unified voice to champion our great region on the national stage. We will highlight our key issues and make sure the South of Scotland is able to make the most of our opportunity to be in greater control of our own future.*

**Russel Griggs OBE,  
Chair of SOSE**

”

”



**We are alive to the need for timely and responsive decision making...**

*Our adviser's guidance has been very useful, with us coming from a business background. She understands what we're trying to do, and can help us understand the world we've got to live in, when it comes to funding and approvals.*

**Mike Gray,  
Chair, Energise Galashiels Trust**

*From our very first contact with SOSE, we've had excellent encouragement and support. Our SOSE liaison officer has been a psychological support and a mine of information about how we can manage the financial side of our project. Our SOSE advisor went above and beyond the call of duty to support the project to do what we needed to do, she has just been marvellous.*

**Dorothy Anderson,  
Treasurer - Auchencairn Initiative**



**We are place-based – working with and across entire communities...**

*SOSE's generous support is a major step towards a successful outcome for the community. We have been working closely with SOSE and couldn't be happier with their commitment to support the people of Langholm.*

**Kevin Cumming,  
Project Leader  
The Langholm Initiative**



**We are tailoring our support to your needs...**

*The process of applying for a grant through SOSE was completely different from applying for any other grant because SOSE supported us with the development of the project, they brought us together with other funding partners, they commissioned the market viability studies on our behalf and they pointed us in the direction of people who could help us and gave us lots and lots of support."*

**Joan McAlpine  
Business Development Manager,  
Ellisland Farm and Museum**

*I would encourage people to make contact. What SOSE can offer and the advice they can give is so multifaceted, and people like us who've been there can also give advice.*

**David Burgher,  
VR-EP  
(watch the VR-EP case study video)**



**We are passionate about promoting 'Fair Work' across all that we do...**

*We have seen Fair Work as being a mutually beneficial thing for us and our employees across all areas of our business. When employees are given the chance to build their confidence while gaining new skills and experience, they feel respected and supported by the organisation and want to do their best for us. This results in us having motivated staff who feel valued and produce high quality work, which makes us more efficient and of course also helps us to raise the funds we need to sustain what we do.*

**Paul Smith,  
The Furniture Project (Stranraer Ltd.  
(watch the video Case Study)**

*Implementing fair working practice is a huge part of our vision to become a futureproof organisation. Partly, it means we need to break down the stereotype that only grumpy old men can work in this industry. We want to be more inclusive and attract a more diverse workforce – and applying the principles of Fair Work will help us to do that.*

**Patrick Flockhart,  
Eyemouth Marine Ltd**

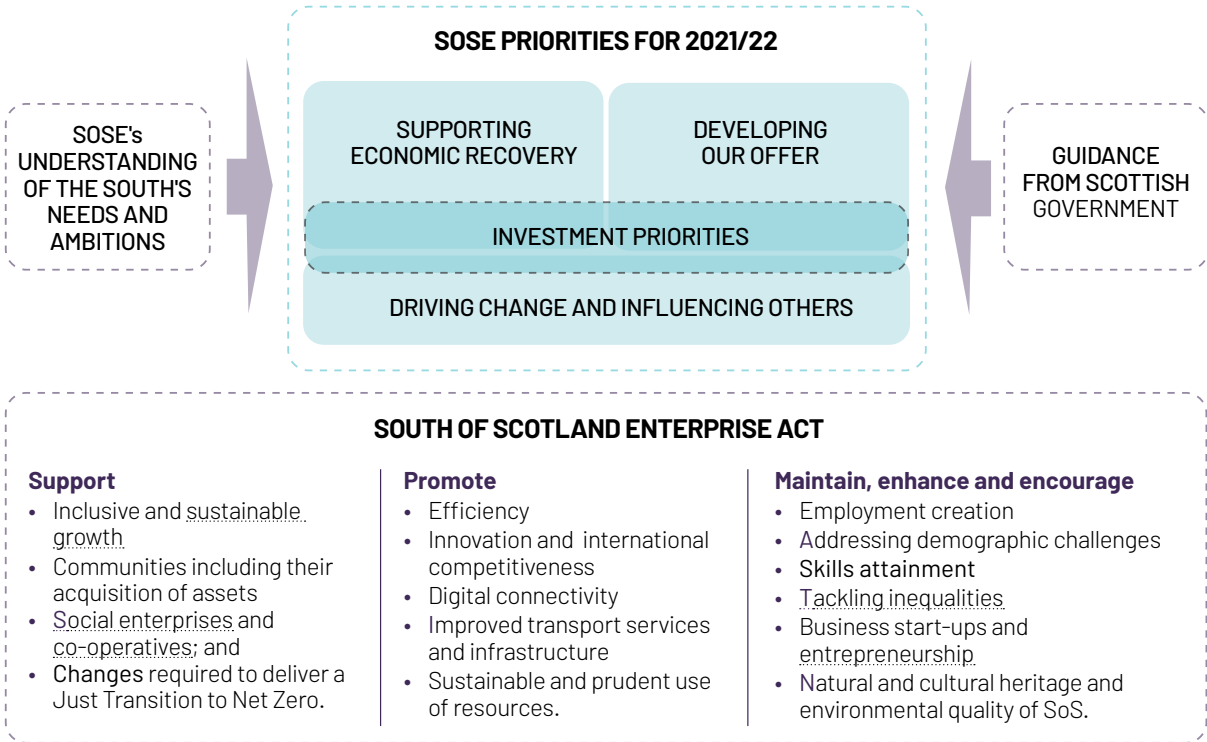


# Overview: Our Priorities Across 2021/22

In our [2021/22 Operating Plan](#) we set out our immediate priorities, as follows:

1. Supporting economic recovery
2. Developing our offer
3. Driving change and influencing others
4. A set of investment priorities to underpin the above.

We undertook to align the above priorities, within the context of those set in our Interim Letter of Guidance and the range of asks from Scottish Government, with our 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.



# Performance Overview

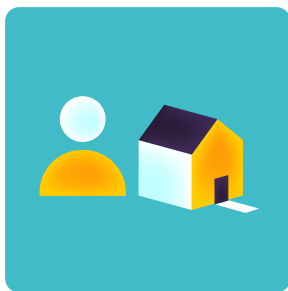
Whilst 2021/22 represented a significant period of growth and development for SOSE, the impacts of COVID-19 were an ever-present backdrop and hence our second year – like our first – was not without its challenges. Nevertheless, 2021/22 has been a year of great achievement. We are confident we have made a real and lasting difference to those who have reached out to us and successfully added to our already solid foundations – readying ourselves to do more and go further as we continue to grow and play our role in creating a Greener, Fairer and Flourishing South of Scotland.

Whilst work on our measurement framework is actively being progressed – through the ongoing process of developing our first strategic action plan – our performance across 2021/22 should be considered in the context of the three priorities we established at the outset of 2021 through our Operating Plan:

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

This section sets out an overview of our performance across 2021/22 in headline terms, with the ensuing sections providing greater detail and demonstrating the true breadth of our efforts in response to each of our priorities.

## Supporting Economic Recovery



assisting around **790** businesses, communities and projects through our one-to-one engagement, advice and support



awarding just over **£13.4m** from our own grant funds, supporting **191** business and community projects

- safeguarding **2,357** jobs and creating **954** more



distributing **£2.1m** of loan funding, supporting **6** business and community projects



helping distribute **£0.4m** of Scottish Government COVID Recovery funding, supporting **172** businesses and projects

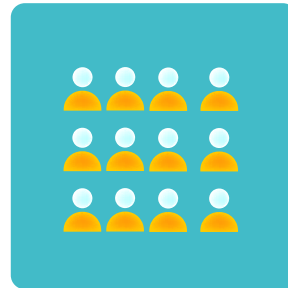
## Developing our offer...



enhancing and furthering our **reach** – growing our social media and digital presence and introducing a new e-newsletter



developing and adapting our organisational structure, **positioning ourselves to deliver newly defined regional and national ambitions**



growing our headcount to 134 to enhance our capacity and capabilities – an increase of **67%**  
*(in keeping with our projected growth as a new organisation)*



establishing a **new Net Zero Directorate**, demonstrating our commitment to support an accelerated Just Transition to Net Zero in the South of Scotland



strengthening our **focus on Innovation & Entrepreneurship**, establishing clear leads and new enterprise coaches including a dedicated focus on supporting women and young people



recognising the strength of our **natural capital** – created a new team and expertise to help ensure it is a key driver for a wellbeing economy in the South



creating and launching a **new SOSE Client Hub**, helping to make our **client's journey easier, faster and more effective**

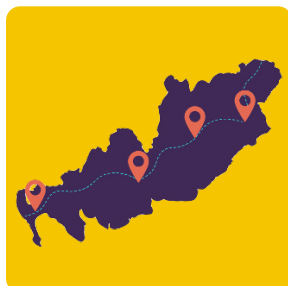


making it easier to access us and our support, having **launched an interactive mobile App**, with around 250 people signed up and scope to grow this significantly across the year ahead

## Driving Change and Influencing Others...



supporting the development and launch of the **South of Scotland's first ever Regional Economic Strategy** – setting out a vision for a Fairer, Greener and Flourishing region by 2031



visiting many of the region's towns and villages through our **SOSE Engagement Tour** – hearing first hand from **500** people – including seldom heard voices – about what matters most to them



establishing a **South of Scotland Business Panel** – with a growing number of over **470** of the regions businesses already signed up

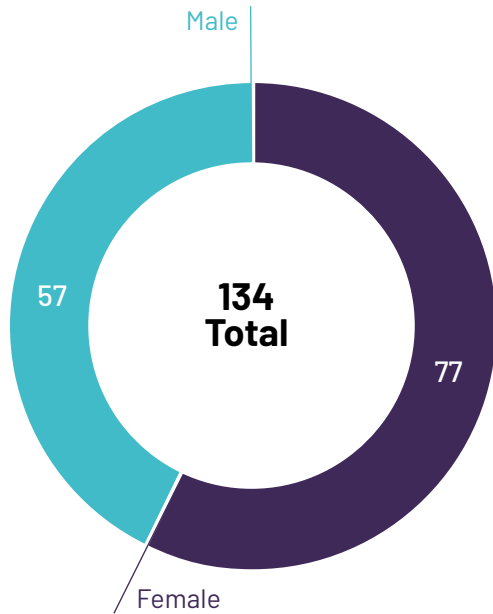


achieving a **Carbon Literate Organisation Bronze Award** having rolled out climate and carbon literacy training to all our Board and Staff Members

# Make up of our employees at 31 March 2022

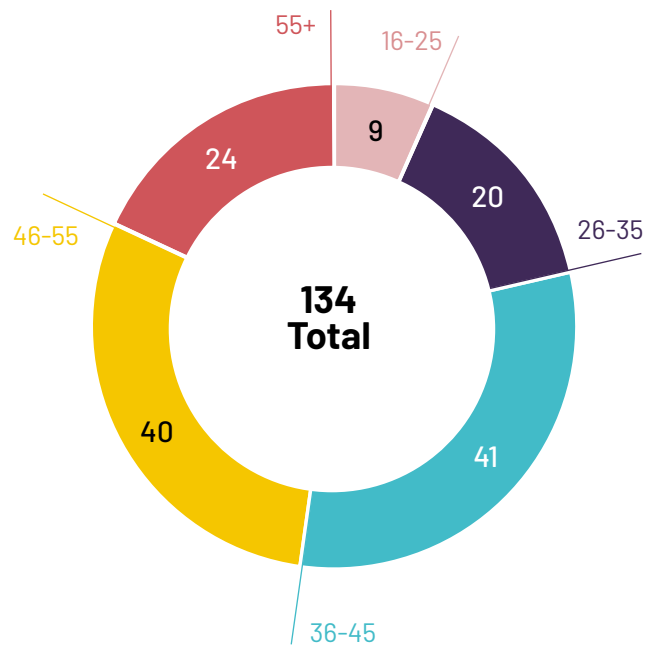
## Gender Split

Our gender split is:



## Age Distribution

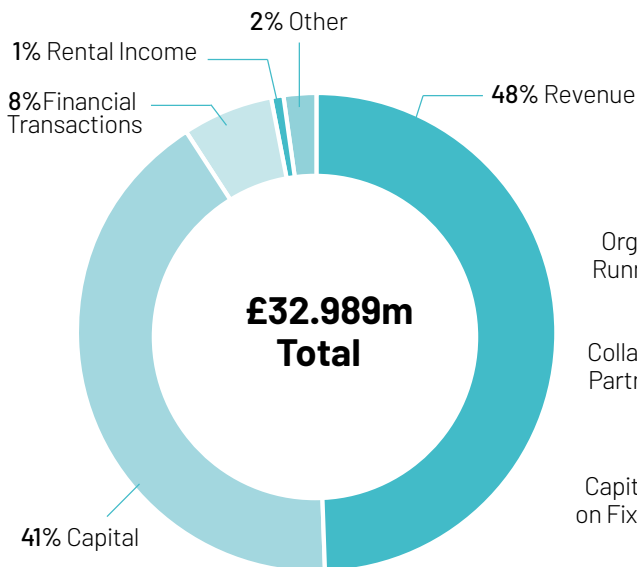
Our age distribution is:



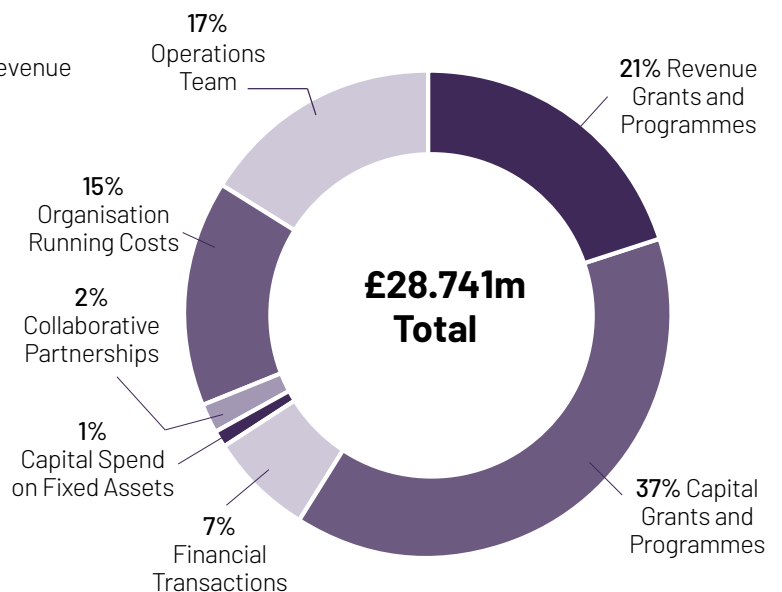
# Our Financial Performance

The graphs below detail the income and expenditure, reconciling to cash elements of the Outturn Summary on page 74 (Departmental Expenditure Limits and Financial Transactions). Income includes Grant in Aid from Scottish Government as well as other sources, these are detailed within Note 2 of the accounts, page 96.

## Income



## Expenditure



# Performance Analysis

## Supporting Economic Recovery

Our interim annual strategic guidance letter from the Scottish Government emphasised that, throughout 2021/22, we needed to remain responsive in the face of changing circumstances as Scotland dealt with the impact of COVID-19, ensuring a strong focus on business and community resilience. It also called on recovery efforts to be led by green growth, underpinned by the promotion of fairness and wellbeing.

To complement national programmes, and to ensure support focused on economic recovery was appropriately tailored to the needs of businesses and communities in the South of Scotland, we created and delivered a number of our own funds across 2021/22.

Whilst the need for COVID-19 recovery and restart funding remained across the year, positively many of our funds were focused on looking beyond this and enabled us to support a wide range of projects from early idea through to business expansion and product innovation. This combined with our ability to be flexible on how we best used our funds, meant we were able to secure significant leverage from other private and public funding.

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 **790** 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.

	Total funding awarded		Number of projects supported		
	2021/22	2020/21	2021/22	2020/21	
<b>Business Improvement &amp; Innovation Fund</b> <i>(formerly Adaptation and Diversification Fund)</i>					
	To assist businesses looking to improve or work on innovative working practices that help them trade more effectively in existing or new markets, and to sustain and grow businesses and employment in the South of Scotland in support of inclusive economic growth post-COVID-19	£6,201,345	£6,056,383	89	63
<b>Enterprising Communities Development &amp; Opportunities Fund</b>					
	To support community organisations and other inclusive businesses to improve or develop enterprising projects that have greater social, economic and environmental impact and sustainability, including the acquisition and development of viable community assets	£4,699,327	£1,746,455	35	9
<b>COVID Recovery &amp; Restart Fund</b>					
	To support businesses who have no other sources of cash, to sustain businesses and employment in the South of Scotland so that they can recover and grow post COVID-19	£1,567,009	£3,767,296	34	88
<b>Green Jobs Fund</b>					
	To support businesses, and social enterprises that are creating new and emerging green jobs, utilising specific funding from Scottish Government	£549,496	-	2	-
<b>Community Ideas Fund</b>					
	To support communities, social entrepreneurs and existing community organisations to initiate new ideas in response to identified community, social, or environmental need	£240,124	£159,861	28	12
<b>Priority Town Regeneration Programme</b>					
	To provide additional capacity to communities to help drive economic development through identifying and progressing enterprising community activities that have potentially sustainable revenue streams	£144,868	-	3	-
<b>Total projects supported through our funds</b>		<b>£13,402,169</b>	<b>£11,729,995</b>	<b>191</b>	<b>172</b>
<b>Loan Funding Awarded</b>					
	As our focus looked more towards development and expansion and less on COVID-19 rescue and recovery, SOSE was able to offer more flexible models of finance for organisations looking to improve and innovate. Loans, or a mix of grant and loan, were discussed with most projects seeking funding support	£2,077,197	-	6	-
<b>Total businesses supported with loans</b>		<b>£2,077,197</b>	<b>-</b>	<b>6</b>	<b>-</b>



Our grant funding has enabled us to...

## Support businesses within the region:



## Support communities within the region as follows:



\*No. of jobs safeguarded and created are based upon projects appraised and approved in year.

In addition, some of our funding (£2,970,355) was directed towards strategic partnerships and projects, 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 continued support of the South of Scotland Destination Alliance (SSDA) and Galloway and Southern Ayrshire Biosphere.

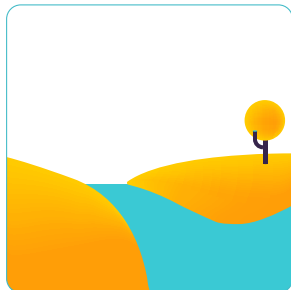
The funding information can be found in the Segmented Information note to the financial statements, (Note 2, page 96).

With the impacts of COVID-19 an ever-present backdrop to the year, we once again played our part in the national effort to support those sectors most impacted, through delivering two Scottish Government programmes of support.



**Scottish Wedding Industry Fund Top up Funding**  
 SOSE was involved in distributing this funding in two phases across 2021/22 – to those businesses across the South of Scotland who benefitted from the original 2020/21 Scottish Wedding Industry Funding, the purpose of which was to help as many businesses as possible operating in the Scottish wedding industry – and their supply chain – to survive the COVID-19 pandemic and to restart once restrictions eased.

**Total funding awarded in the South of Scotland:**  
**£279,875**  
**Number of businesses supported in the South of Scotland:**  
**160**



**Tourism Recovery & Leadership Fund**  
 SOSE joined a panel with representatives from Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland, Visit Scotland and Scottish Tourism Alliance to assess ten project applications from across Scotland for this pilot fund to support innovative, collaborative, high-impact projects that would support recovery from COVID-19. Two projects from the South of Scotland were successful.

**Total funding awarded in the South of Scotland:**  
**£80,196**  
**Number of projects supported in the South of Scotland:**  
**2**

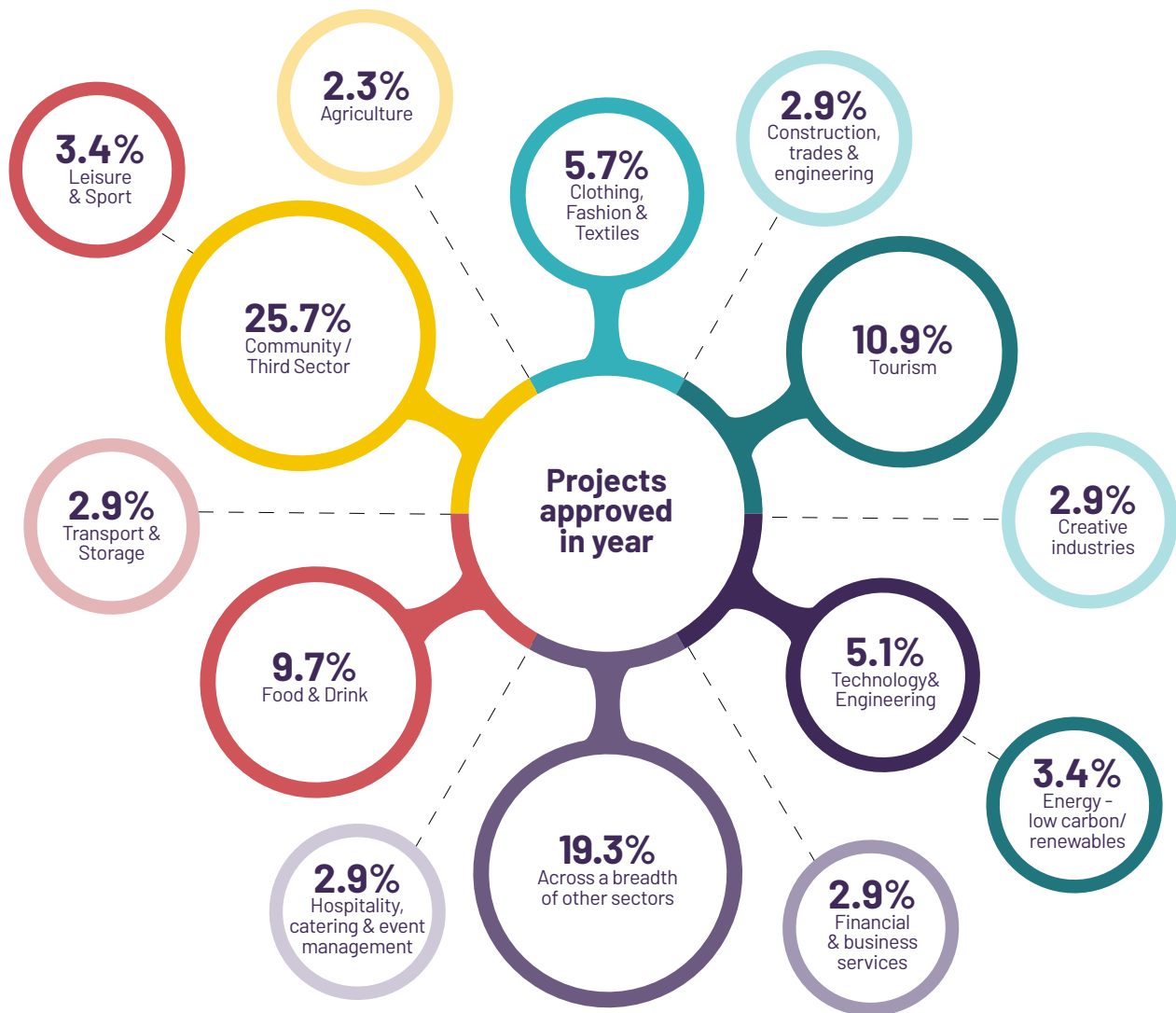
As well as the impact of COVID-19, businesses in our region also had to contend with the impacts of leaving the EU in 2021/22. Whilst leaving the EU had an undeniable effect on businesses in the South of Scotland, this has mostly been masked by the economic factors surrounding COVID-19 and the war in Ukraine. The most common impacts reported by some businesses were supply chain issues and problems with distribution. Our response and support took a variety of forms.

We ran an extensive **promotional campaign**, across digital platforms, radio and local newspapers to help raise awareness of forthcoming changes linked to the UK leaving the EU

We **surveyed businesses** in the South of Scotland and **pooled intelligence** with key partners, to gain a better understanding of the specific Brexit related issues facing businesses in the region

We helped **signpost** businesses to relevant national support including workshops so they could find out more about specific issues

We provided **one to one support** for businesses, albeit EU exit related concerns were not understood to be driving initial contact.



### Sector breakdown of projects approved during 2021/22.

One of the ways we are different, is our commitment to promoting the economy in its widest sense - championing the region's communities, people, environment and jobs - in keeping with the focus of the Regional Economic Strategy which goes beyond a traditional economic strategy to recognise what matters most to the South of Scotland. Testament to this is the breadth of sectors across which our support spans, as demonstrated in the above diagram.

Across 2021/22 we invested just over £1.6m of our own funding to support a number of Heritage, Regeneration & Development projects across the South of Scotland, six of which involved A-Listed buildings: including The Haining in Selkirk, Paxton House in Berwickshire, Abbotsford Trust Melrose, Whithorn Museum in Galloway, Ellisland Trust in Dumfries and Jedburgh Bakery.

## COMMUNITY CASE STUDY

# Carsphairn Community Woodland (CCW)

SOSE provided £290k to CCW to take forward a series of innovative projects at Muirdochwood on the outskirts of Carsphairn village in Dumfries and Galloway.

The project includes forestry management, a community woodfuel business, creation of recreation infrastructure, and a rural skills hub that will provide a centre for training and development in forestry and rural skills with agricultural and environmental learning opportunities.

CCW also has a longer term aim to create a sustainable tourism attraction in the woodland that has inclusive access.



## COMMUNITY CASE STUDY

# Paxton House

SOSE pledged £310k to support the historic (Grade A-listed) Paxton House and Estate with the initial phase of an ambitious development programme focused on expansion and improvements to their visitor accommodation. Their plans will see an extension to the current walled garden caravan park and enhancement of on-site service facilities, doubling the site's current capacity.

This initial phase of the project aims to substantially increase trading income helping the trust to be more financially sustainable, in turn securing the long-term future of an important heritage and visitor attraction. Additionally, this project also helps to build the Trust's reputation and track record in delivering transformational change, this will be key to driving forward their longer-term development proposals.

The timing of our financial support has been key, enabling the Trust to benefit from the increasing staycation market and further supporting the wider area as a key visitor destination. Improvements to the Caravan Park are also expected to benefit Berwickshire's other attractions, providing tourists with a high standard of accommodation, encouraging them to stay longer and explore more of the local area.

## BUSINESS CASE STUDY

# IndiNature

SOSE provided £250,000 worth of funding to IndiNature to create Scotland's first factory producing carbon negative insulation for homes and commercial properties from their premises in Jedburgh.

Sustainable construction materials business IndiNature is on target to open its new Borders manufacturing hub in Autumn 2022 and grow its overall workforce to 30.

At capacity, IndiNature's new site will represent a carbon saving of 10,500 tonnes of CO2 per year which means that by 2050 the factory will have the equivalent impact on the climate crisis as planting more than five million trees.

SOSE's support for this project helped IndiNature secure £803k grant from Zero Waste Scotland and £3m investment from SNIB. They are now approaching the end of the second stage of the capital expenditure raise for £1.2m, which will give them additional production capabilities.

## BUSINESS CASE STUDY

# Ascensos Ltd

Ascensos, a leading provider of outsourced Customer Management solutions to the retail and consumer services sector announced in August 2021 the launch of their 'Ascensos Local' brand which saw the initial creation of 100 jobs based from Stranraer town centre. The Stranraer base provided quality digital jobs to the town and throughout the region, with staff working from a newly refurbished office base although most staff have been working from home.

The project 'Ascensos Local' aims to establish a number of local hubs and brings the potential for welcome employment opportunities to peripheral, rural, or semi-rural locations based in a Town Centre with up to 100 new jobs expected to be created around each hub.

SOSE provided support to Ascensos on this significant project, including over £50,000 worth of funding. SOSE have continued to develop their working relationship with Ascensos in particular supporting the strategic intent of Ascensos Local across the South of Scotland.

# Performance Analysis

## Developing our Offer

In our second year we continued to develop our offer through initiating new services, support, and funding focused on addressing the needs and issues of our region and delivering inclusive economic recovery and growth for the South. This was aided by looking to the future, and having regard to the thematic priorities for the South of Scotland emerging from the first ever South of Scotland Regional Economic Strategy.

This was a significant period of growth for SOSE as we moved into our second year. As well as partnership working, collaboration and complementing existing support available locally, regionally, and nationally, we wanted to do things differently and develop new ways to meet the needs of businesses and communities in the South of Scotland. We wanted to accelerate progress in delivering on a just transition to net zero, fair work, innovation and entrepreneurship. To do that effectively required us to develop and adapt our organisational structure and recruit new posts to enhance our capacity and capabilities. All of this has been underpinned by a relentless focus on creating an inclusive culture within the organisation which is driven by our values to be bold, striving, inclusive and responsible.

As a foundation upon which to develop our offer from, we have...



grown significantly during the course of the year – continuing growth in our headcount by **67% - expanding and strengthening existing teams and capabilities** by attracting talented individuals from a range of backgrounds



**further invested in the development and growth of our staff**, recognising that they are the heartbeat of SOSE. Through investing in strategic training, continued professional and further development.



**helped employees achieve a healthy work life balance**, expanding flexible and more inclusive ways of working – placing paramount importance on the health and wellbeing of our people



**pioneered new ways of working**, creating policies, processes and systems the SOSE way, building high performing teams around a ‘dynamic cluster’ approach to working together – enabling us to put the right expertise in the right place at the right time for as long as is needed, ensuring colleagues find a meaningful and balanced way of working



**introduced a range of communication channels** to enable an effective voice for our staff



**been an exemplar of Fair Work**, proud to have created an inclusive working environment where every member of our team can feel valued and contribute to the organisation’s culture and outcomes



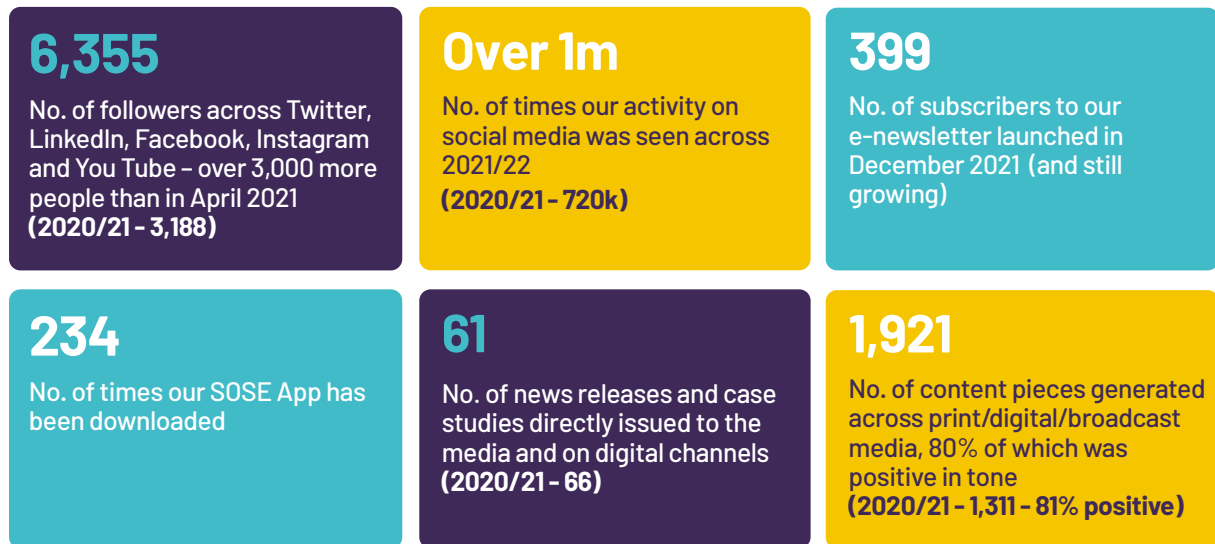
we have employed **6** Modern Apprentices on two year traineeships



we employed **10** seasonal interns, affording students meaningful work placements

Across 2021/22, we have further developed our offer to meet the needs of the organisations, communities and people that we are here to serve, through...

- ...introducing **new methods of communication to enhance and further our reach**, being the first of Scotland's enterprise agencies to introduce a dedicated App for smart devices, alongside growing our social media and digital presence across additional platforms and through introducing a monthly e-newsletter.



- ...creating a **new SOSE Client Hub**, helping to make our **client's journey easier, faster and more effective**, connecting our clients directly with our dedicated business assistants who are the first point of contact, to act quickly and connect our clients to the most appropriate contact within the organisation.
- ...establishing a **new Net Zero Directorate**, which alongside supporting our own path to Net Zero carbon emissions, will lead and facilitate the South of Scotland's Just Transition to Net Zero: presenting the climate opportunities to our region/clients; the climate positive contribution we will need to make; and ensuring we lead by example to inspire others into action.
- ...strengthening our **focus on Innovation & Entrepreneurship**, establishing clear leads and a new team, with dedicated enterprise coaches to provide support with very early-stage enterprise including concept design, stimulating ideas, moving ideas forward, and looking at product and service development.
- ...streamlining our support offer and service delivery, having **integrated the Scottish Border's Business Gateway into SOSE** and working in **partnership with Business Gateway Dumfries and Galloway** to better support start up organisations across the South of Scotland.
- ...introducing specific roles to help address known existing barriers, with dedicated enterprise coaches focused on **helping more young people and women** to explore starting up an enterprise and connecting them with the right support and relevant local, regional, national and international networks.



- ...better understanding the existing and future **Inward Investment** markets in the South of Scotland, ahead of developing – Scottish Development International (SDI) and local authority partners – new marketing collateral to better promote and make it easier for those looking to invest in the South of Scotland to access information that will drive their investment decisions.
- ...recognising the strength of our **natural capital** – creating a new team that brings in specialised expertise focused on those sectors that rely on our natural capital including our creative & cultural sector, our tourism sector and community wealth building, responding to the priorities within the Regional Economic Strategy
- ...ensuring our entire staff are fully conversant with the principles of **Fair Work** and equipping and empowering them to drive change, aided through the development of a resource hub; presentations to help the client-facing teams to educate and advocate; provision of expert support for client conversations; and the **creation of an action planning tool** for colleagues to help clients develop practical, impactful Fair Work action plans.
- ...continuing to evolve our **place-based approach to service delivery**, building relationships with our partners to better coordinate activity and ultimately improve the impact of combined resources and investment in local places across the region – aided by our involvement in the two new local authority led Place Planning Partnerships.
- ...strengthening our focus on and capacity to help create the **right conditions that will support the region to flourish**, working collaboratively with partners to identify, manage and successfully deliver nationally significant infrastructure projects which will have a transformative and catalytic effect across the South of Scotland.
- ...embracing **new collaborative partnerships**, complementing those important and already established ones which benefit from a team South of Scotland mentality, bringing new players, new activity, new offers, excitement and momentum to the region.

Working with **CivTech** – as the Scottish Government’s flagship innovation programme – to provide innovators, entrepreneurs, start-ups or established businesses a procurement route to develop products centred around solving real life challenges – with SOSE having sponsored three challenges here in the South focused on:

- Better understanding the carbon storage potential of our land;
- Assessing skills and learner competence using remote and online services; and
- How technology can assist in the creation of a circular economy and Net Zero ambitions

Working with **Interface** – helping businesses and community organisations to collaborate with academic partners on innovative new opportunities and projects

Working with **Metta** – bringing global expertise to help ingrain regeneration and sustainability into innovation across the South, to drive positive long term impacts

Working with **Young Enterprise Scotland** to develop a sustainable model for the delivery of Enterprise Education Programmes tailored to and across the South of Scotland

Working with **South of Scotland Net Zero Commission** focused on bringing together and collaborating with key local, regional and national stakeholders to accelerate our region’s Just Transition to Net Zero.

## CASE STUDY

# Mountain Bike Innovation Centre, Innerleithen

The Mountain Bike (MTB) Project is a £19m capital project within the Borderlands Inclusive Growth Deal – the delivery of which SOSE are leading on. The project sets itself apart on the world stage by being not only the first Mountain Bike Innovation Centre, but the very first MTB industry facility to integrate with a new Adventure Bike Park and Trail Lab in Innerleithen.

The Innovation Centre will offer a hub for businesses to grow together, events space and support for innovation and research. The unique interaction with the Adventure Bike Park and Trail Lab will encourage significant relocation, attract and train skilled workers and deliver a flourishing cycling industry cluster – with the wide variety of jobs it will give rise to helping efforts to retain more young people in the South of Scotland.

Whilst a highly collaborative project with many stakeholders playing an active part, our willingness to lead demonstrates SOSE's bold ambitions to deliver a project of international significance in the South.





# SOSE Engagement Tour

Our 'Your South of Scotland' Engagement Tour saw us visit 23 different locations across the South of Scotland in two phases between November 2021 and March 2022. We also held three online virtual events with three of our events held as business breakfasts.

Our events, which were open to all, provided an opportunity to meet our Chair and Chief Executive, face-to-face. We were eager to share what we are here to do, how we can help businesses and communities, and what we have been working on across the region.

Our engagement efforts also saw us work with a locally based social enterprise – Sleeping Giants – to gather views from people who do not always have the chance to share their opinion. This involved holding discussions – and positively establishing relationships – with groups across the South of Scotland including:

- Armed forces veterans
- Deaf and hard of hearing people
- People with disabilities and autism
- Those from ethnic minority backgrounds
- LGBT+ community
- Those representing young people
- Women.

What we have heard is being used to help shape our future priorities and importantly our first Action Plan, which will set out our priorities up until 2027.

# Performance Analysis Driving Change and Influencing Others

Aside from our sustained and primary focus on aiding economic recovery, we have taken the opportunity across the previous year to look to the future, engaging and working with others to establish a robust evidence base and a clear and shared set of priorities for the South of Scotland – leading change and being proactive in influencing others to support the creation of a greener, fairer and flourishing South of Scotland.



The **South of Scotland's first ever Regional Economic Strategy (RES)** – with a vision for a Fairer, Greener and Flourishing region by 2031 – launched in September 2021, with SOSE having project managed its development and spearheaded the extensive engagement efforts which underpin it, hearing from over 1,400 people. We were pleased to see significant alignment between our RES and the ambitions set out in National Strategy for Economic Transformation.



We commissioned **three business surveys** across 2021/22, and with partners have explored options for establishing an **open data portal** through which to share the findings and other relevant datasets. We are using the evidence coming from the survey as we look to priority areas and in discussion with partners and Scottish Government (SG)



To inform our first **Action Plan**, we hosted 28 events – visiting many of the region's towns and villages through the **SOSE Engagement Tour** – hearing first hand from almost **500** people about what matters most to them, working hard to reach and hear from additional and seldom heard voices too.

We captured what we heard and are using it to inform our Action Plan and sharing the outcomes with SG.



"We have led the establishment of a **South of Scotland Business Panel** – with a growing number of over 470 of the regions businesses already signed up – providing a willing and representative sample from which to quickly secure valuable insight and intelligence to enhance our understanding of key issues"



We have helped to **grow the reputation of the region as a leading research and development base**, representing the South on national forums and actively supporting a number of nationally significant demonstrator projects particularly in the energy, food production and natural capital sectors.



We have created a new **Natural Capital Team** to help ensure the importance of the South's natural assets in driving the Wellbeing Economy is realised and enhanced. We are leading on the delivery of the South of Scotland Regional Land Use Partnership Pilot and working in partnership to establish the Natural Capital Innovation Zone for the South of Scotland.



We have been an important advocate for the South, adding our voice and influence in aiding the development of national policy – **having responded to 20 national consultations**. We are seeing our perspectives informing future policy development.



We have acted to establish **Fair Work** as a pillar of all that we do, creating a dedicated team to help support those businesses and organisations across the South on their Fair Work journey, and using our funding and procurement to help drive change.



We **attended COP26**, actively participating in and presenting at numerous events – showcasing the South of Scotland and the Net Zero ambitions of the region – with a commitment to use this global event as a catalyst to create a legacy of positive action in the South of Scotland.



We have led by example towards becoming a **Net Zero organisation** that supports a **Just Transition**, having rolled out climate and carbon literacy training to all our Board and Staff Members, achieving a **Carbon Literate Organisation Bronze Award**



We continue to work with, invest in and support a number of key partnerships to drive transformative change and new approaches across the South of Scotland, including:

- South of Scotland Destination Alliance;
- Galloway and Southern Ayrshire Biosphere;
- the Borderlands Inclusive Growth Deal;
- Edinburgh and South East Scotland City Region Deal;
- the work of the South of Scotland Regional Economic Partnership and the associated South of Scotland Education and Skills Strategic Coordination Group; and
- The Convention of the South of Scotland.

# South of Scotland Regional Economic Strategy

The first ever economic strategy covering the whole of the South of Scotland was published in September 2021.

The ten-year strategy sets out a clear vision for how the region's economy should look and work in the future, which focuses on making the South of Scotland **"Green, Fair and Flourishing"**.

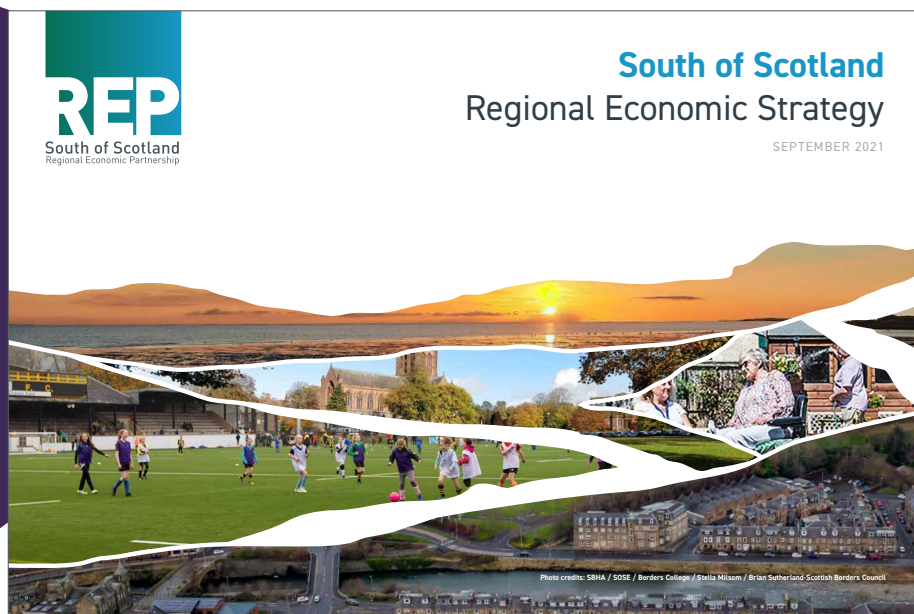
The RES has six Themes which are priorities for the region:

- Skilled and Ambitious People
- Innovative and Enterprising
- Rewarding and Fair Work
- Cultural and Creative Excellence
- Green and Sustainable Economy
- Thriving and Distinct Communities

The Strategy was developed following an extensive period of engagement, and a series of consultations which engaged over 1,400 respondents – including approximately 300 young people – from across the South of Scotland.

An accompanying Delivery Plan – aligned to the Strategy's six Themes – followed in December 2021, outlining how and on what partners – including SOSE – will work together on to realise the shared vision for the South of Scotland.

SOSE project managed the two workstreams and spearheaded the extensive engagement efforts.



## COMMUNITY CASE STUDY

# Eyemouth Marine Ltd

Fishing in Eyemouth dates back to the 13th century, with a boatyard operating in the Berwickshire town since 1857. Established in 2017, Eyemouth Marine Ltd (EML) is the latest custodian of the boatyard, operating as a servicing and repair yard to the fishing community and commercial fleets of the North Sea, leisure craft, and the burgeoning offshore wind sector.

SOSE has provided a wide-range of support including over £500,000 funding towards £1.5m of investment in the yard, to ensure it is fit for modern practice and to safeguard 12 local jobs, while creating new skilled roles, plus support helping EML to work more efficiently, building resilience and taking advantage of Low Carbon and Fair Work practices.

The re-development includes the creation of a much-needed community training facility acting as an apprenticeship route/hub for boatbuilding skills and other marine trades, while providing wider training opportunities for the local community. In addition, it has helped develop accredited courses in boat-building in partnership with Borders College and a facility to house approved Glass Reinforced Plastic (GRP) boat-building.

A viable boatyard not only services the local and visiting fishing fleet, but alongside Eyemouth Harbour Trust and local employers, the yard helps to add to the infrastructure within the harbour to service the leisure sector. This creates an attractive tourist offering generating revenue for the local shops and restaurants.

EML's Fair Work commitment stems from the vision for a team charter – which is to build upon its rich heritage and become a 'future proof' 21st century business that can positively contribute to the community in which it operates.

# Principal Risks and Uncertainties

Continuing the alignment of SOSE's risk management framework with the Scottish Public Finance Manual (SPFM) guidance, our Board considered and approved the strategic level corporate risks facing SOSE during 2021-22.

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

With a refreshed Risk and Internal Audit Policy, the risk framework has been developed in the year to include appointment of Risk Champions and the development of a Risk Management Database System.

Annual refresh and regular review by the Senior Leadership Team (SLT) of the Corporate Risk Register, Departmental Risk Registers, Risk Appetite and PESTEL (Political, Economic, Social, Technological, Environmental, Legal) horizon scanning, has been extended in the year to include risk register reporting for the Mountain Bike Innovation Centre project.

There were fourteen Corporate Risks at the year end, with the following top three principal risks being managed and monitored closely:

- **Mountain Bike Innovation Centre Project (MTBIC)**  
This is the first major investment project for SOSE and is strategically a top priority for the Board. The success of the project is important for SOSE and the region and is dependent on joint working with all partners. Risks of delays due to resources or technical capacity issues, failure of competitive dialogue in the tender process or overspend, may lead to reputational damage and project delay or failure.
- **Pandemic: Organisational**  
The continuing impacts and legacy of COVID-19 on businesses, SOSE's partners and local communities, may affect morale, reduce productivity, and cause poor client interface.
- **Organisational Capacity**  
If Service Offers are not fully developed then this may result in customers and partners not being supported, leading to the detriment of the organisation and projects, as well as reputational damage to SOSE.



In relation to the three principal risks, it did present challenges to certain aspects of delivery throughout the year, particularly in the second half of the financial year. Organisational capacity and indeed the pandemic meant achieving the planned full staffing complement took longer than expected and in fact we remained in active recruitment for a small number of posts into 2022-23. This alongside the long tail of the pandemic in the last quarter hampered our delivery of capital projects, the latter being the primary reason for projects not running to time and budget being pushed out and underutilised in some areas. With regards MTBIC this remained largely on track, but with expected challenges due to construction costs being likely to increase as we move into the delivery phase of the project in 2023, this will require to be monitored closely on an ongoing basis.

The scoring of the majority of risks either decreased, or remained static across the latter half of 2021-22, with only one risk increasing its score. This exception being the potential Budget underspend, which resulted in close budget monitoring and communication with Scottish Government and a focus on delivery to maximise expenditure.

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

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

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

Emerging risks that we foresee would centre around two connected areas, budget allocation amounts; as we see continued pressure in that space and it may well become a principal risk, aligned to inflationary pressures; which we hope will settle medium to long term but recognising the increased operating costs will remain as the new normal.

## Going Concern

The Board and Accountable Officer have considered the resource budget for 2022/23, comprising Grant in Aid and 'non-cash' budget provision, supplemented by SOSE's business income from rental properties along with future forecast land sales and deem this an adequate resource to continue operational existence to undertake aims as set out for SOSE by Scottish Government in our Letter of Guidance. Considering available budget together with SOSE's closing Statement of Financial Position at 31 March 2022, net assets of £1.397m, the annual financial statements have been prepared on a "going concern" basis.

Further details of SOSE's resource budget for 2022/23 are given in the Performance Report and the Accountability Report. Details of the liquidity position are given in Note 23, page 118.

# Future Plans

Developing our first Action Plan remains our critical focus. Whilst publication was previously envisaged in April 2022, the need to ensure strong alignment with the new National Strategy for Economic Transformation (NSET), and associated and still evolving delivery arrangements, has necessitated us – consistent with Scotland’s other enterprise and skills agencies – to take some additional time, over the summer, to finalise our plan.

The purpose of the Action Plan remains unchanged – being to set out our strategic focus across the next three years, highlighting the impacts we hope to achieve and the strategic priorities that will drive our future focus and efforts. It will provide a framework for our annual operating plans which will set out the detailed tasks and activities we will undertake to deliver our strategic priorities.

As well as NSET, the now published South of Scotland Regional Economic Strategy is a key influence on our Action Plan, providing a vision and hence clarity on what we, and other partners, need to work towards – a green, fair and flourishing South of Scotland by 2031. The six key themes at the heart of the Strategy provide additional focus.

We have also undertaken extensive engagement across the South of Scotland to help inform our Action Plan, asking those who live, work and operate across the region what matters most to them and what they think our priorities should be. This fulfils a legislative requirement in our Act and delivers on the commitment in our Engagement Framework to be a listening organisation.

Work also remains ongoing to establish 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.

The Framework will be aligned to our Action Plan, with time taken across the Summer to ensure that it too reflects new or revised national ambitions linked to NSET and specifically its vision for a wellbeing economy.

# Financial Performance

## Purpose

The main purpose of this section is to summarise SOSE's performance for the period to 31 March 2022 against our finance targets. The full detailed financial statements are contained on pages 82 to 120.

The SOSE budget is supplied by the Scottish Government and is comprised of Resource, Capital, Financial Transactions, Ring-Fenced Expenditure and Annually Managed Expenditure. A small income is generated by SOSE mainly through property, this also includes loan interest and funded employee positions, 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 small amount has been used by SOSE to purchase IT equipment and preparing for return to offices.

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 Resource or Capital expenditure.

# Financial Performance

The Parliamentary Accountability Report section, page 74, details SOSE's financial outturn against allocated budget from Scottish Government.

The period to 31 March 2022 was SOSE's second year as an organisation, receiving Grant in Aid from the Scottish Government. The original resource budget for 2021/22 was £15.803m (2020/21: £11.4m), including £1m COVID-19 consequential funding, during the year the Scottish Government confirmed adjustments to the budget with net transfers of £0.136m taking SOSE's resource budget to £15.966m (2020/21: £14.453m), there was no additional allocation for accrued staff benefits (2020/21: £0.126m). SOSE communicated with Scottish Government regarding an arising underspend in which it was decided £1.2m would not be drawn down as part of Grant in Aid funding in March 2022.

The original capital budget of £13.4m (2020/21: £8.4m) had 2 small adjustments during the year which netted to zero, so the budget remained unchanged (2020/21: £8.945m). SOSE's second year saw the approval of the first loans from Financial Transaction funding - £2.08m (2020/21: £0), as the year progressed SOSE agreed with Scottish Government it would hand back £2.5m during the Spring Budget Review.

SOSE's second year in operation had a continued focus on business and community resilience dealing with the impact of the COVID-19 pandemic and restrictions began to ease. As well as this, the impact of leaving the EU has also had an impact on the South of Scotland, particularly around supply chain issues. The organisation continued to grow remotely to strengthen our workforce and continued to utilise systems and support through collaborative partnerships, with Skills Development Scotland Limited and Scottish Enterprise.

A primary focus for SOSE in 2021/22 has been economic recovery by promoting fairness and wellbeing, as set out in the Interim Annual Strategic Guidance from the Scottish Government. SOSE continued to be involved in a key strategic government programme - Scottish Wedding Industry Fund, playing a key role in the delivery of these funds and working in partnership with another public sector body, Scottish Enterprise.

SOSE set up several of its own funds to support the economic recovery 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 and loan interest, this is applied against expenditure incurred during the year.

Resource expenditure was closely monitored throughout the year and SOSE agreed an underspend of £1.2m in March 2022, as it became clearer full utilisation of the budget would not be achieved, with an underspend of £1.086 (2020/21: £1.777).

During the financial year the Capital budget was closely monitored, full utilisation against the budget was not achieved, with an underspend of £2.730 (2020/21: spend on budget). The funds particularly focused on companies looking to innovate and improve as well as supporting community organisations.

All depreciation is allocated to the Ring-Fenced Budget as described above, for the period to 31 March 2022 this totalled £0.135m (2020/21: £0.96m), covering both property, fixtures and fittings and purchased IT equipment, £2.365m (2020/21: £2.404m) lower than the provision provided by the Scottish Government.

## Financial Position

In the year to 31 March 2022 SOSE's Statement of Financial Position showed a net surplus of £1.397m (2020/21: £0.544m net surplus) due to assets exceeding liabilities, an increase of £0.853m on the previous year.

The main additions have been loans issued through Financial Transaction funding provided by Scottish Government, showing a net position of £1.619m split between non-current and current assets (2020/21: N/A). The net position is after repayments received in year, amortisation adjustment and expected credit losses including a provision for a loan which defaulted in year. This is offset by Other Current and Non-Current Liabilities Financial Transaction funding due to SG.

SOSE sought an external year-end valuation for land and buildings which were transferred to SOSE from Scottish Enterprise (SE) in the previous year. This has resulted in an increase in the value of the land of £0.353m and a net decrease in the value of property of £0.285m. During the year a plot at Cargenbridge Business Park, previously classified as held for sale, sold for £135k and a number of other plots are under offer, therefore SOSE has reclassified land held for sale of £561k (£153k 2020/21) to current assets in line with IFRS 5, Note 15. The final net book value of Property, Plant & Equipment was £1.936m (2020/21: £2.417m).

Cash and cash equivalents have increased to £4.950m (2020/21: £1.042m), in which cash was drawn down from Scottish Government but not utilised before year-end, principally being offset by creditors and accruals, see Statement of Financial Position, page 83.

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 18 to the accounts.

The pension valuation at 31 March 2022 shows a pension liability of £2.970m (2020/21: £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 and 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 was 9 days (2020/21: 9 days) which equates to 90% (2020/21: 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

In relation to Procurement contracts for goods, works and services, SOSE fully complied with Public Contracts Scotland Regulations for its regulated spend (above £50k) and below this level complied with its own internal SOSE procurement policy.

SOSE engaged 148 suppliers in the year, of which 115 were SMEs and 29 were based in the South of Scotland.

Public Sector procurement regulations seek to ensure that public procurement activity delivers value for money. During the year, procurement savings of £34.7k were recorded. Savings are calculated by using the methodology recommended by Scottish Government guidance, including taking the average rate proposed and the difference between that and the final rate agreed, or by estimating the cost avoidance through the use of an existing framework.

Our key priorities were and continue to be:

- SOSE procurement activity (including contract management of business-critical suppliers) is led or supported by the Procurement team ensuring full regulatory compliance.
- Ensuring the SOSE procurement strategy remains built around the SOSE corporate values and priorities.
- Promoting sustainable Procurement and ensuring that SOSE uses its assets to harness the regions potential whilst supporting a transition to Net Zero. Sustainable procurement can be described as a process that involves the consideration of the improvement of economic, social, and environmental well-being. It is based on recognised procurement principles of transparency, equal treatment, and non-discrimination.
- Supporting Community Wealth Building, particularly in the South of Scotland
- Supporting Small and Medium Sized Enterprises (SMEs), Third Sector organisations, and Social Enterprises
- Putting sustainability and inclusiveness at the heart of our procurement approach
- Reducing bureaucracy and streamlining our procurement processes – increased use of collaborative framework contracts which meet the needs of SOSE
- Increasing collaborative working with other public sector organisations
- Delivering Value for Money – ensuring tax-payers money is spent sustainably, ensuring integrity and accountability
- Annual reporting of procurement performance and compliance

## Outlook

SOSE's third year budget has increased from year two, with both Capital and Financial Transaction funding increasing in line with expectations. Resource has maintained a static position compared to year 2, when excluding one-off funding for COVID-19 consequential in year 2, which is in line with other Non-Departmental Public Bodies.

Resource funding is £14.803m for 2022/23 (2021/22: £15.803m), the decrease of £1m relates to COVID-19 consequential funding received in year two which was a one-off payment to assist with recovery from the COVID-19 pandemic. This is a more challenging position for the Resource budget than previously forecast, however, SOSE will continue to monitor progress against budget, working closely with Scottish Government and continue towards SOSE's aims to help further the economic and social development of the South of Scotland.

Capital funding increased by £1.8m to £15.2m (2021/22: £13.4m) and the Financial Transactions budget allocated to SOSE is £6m (2020/21: £5m). We have set a Capital Budget model with an over-commitment position. 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 internally within SOSE.

The current climate of inflationary pressures and budget allocations decreasing in real terms will provide a challenge to SOSE to balance resources versus ambitions, and it's a challenge we continue to grapple with.

The largest financial risk for SOSE is securing enough Resource funding in future years, to be able to fulfil the aims of SOSE. To achieve this SOSE will need to be able to secure the correct amount of Resource funding, so the agency has the ability for growth and sustainability in supporting the economic and social development in the South of Scotland.

SOSE will continue to work with the Scottish Government on this to understand the likely outlook and employ scenario planning to model how this will look in the future.

# Public Interest Reporting

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

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

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

TABLE A	2021/22	2020/21
FREEDOM OF INFORMATION (SCOTLAND) ACT 2002 (FOISA)	10	17
ENVIRONMENTAL INFORMATION (SCOTLAND) REGULATIONS 2004 (EIR)	0	0
DATA PROTECTION ACT 1988 / UK GDPR 2016 (SUBJECT ACCESS REQUESTS)	0	0
DATA PROTECTION ACT 1988 / UK GDPR 2016 (DATA BREACHES)	0	0
<b>TOTAL</b>	<b>10</b>	<b>17</b>

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

TABLE B	2021/22	2020/21
PERCENTAGE OF REQUESTS WHICH RECEIVED A RESPONSE WITHIN THE STATUTORY TIMESCALES	100%	100%
PERCENTAGE OF REQUESTS WHICH RECEIVED A RESPONSE FULLY OR PARTIALLY DISCLOSED	100%	100%
PERCENTAGE OF REQUESTS WHICH RECEIVED A LATE RESPONSE	0%	0%
PERCENTAGE OF REQUESTS WHICH WERE VEXATIOUS	0%	0%
PERCENTAGE OF REQUESTS WHICH WERE WITHDRAWN	0%	0%
PERCENTAGE OF REQUESTS NOT HELD	0%	0%

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

TABLE C	DESCRIPTION OF EXEMPTION	2021/22	2020/21
SECTION OF ACT (FOISA)			
33(1)(B)	Prejudice commercial activities	1	2
27	Information intended for future publication	0	6
30(B)(ii)	Substantial inhibition to free and frank exchange of views	1	0



Number of Requests for Reviews (Table D):

TABLE D	2021/22	2020/21
FREEDOM OF INFORMATION (SCOTLAND) ACT 2002 (FOISA)	0	1
ENVIRONMENTAL INFORMATION (SCOTLAND) REGULATIONS 2004	0	0
<b>TOTAL</b>	<b>0</b>	<b>1</b>

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

TABLE E	2021/22	2020/21
FREEDOM OF INFORMATION (SCOTLAND) ACT 2002 (FOISA)	0	0

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

## Complaints

SOSE is committed to providing high-quality customer services.

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

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

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

Details of the complaints are shown in **Table F**.

TABLE F	2021/22	2020/21
FRONTLINE RESPONSE (STAGE 1)	1	1
INVESTIGATION (STAGE 2)	1	1
SPSO	0	0
<b>TOTAL</b>	<b>2</b>	<b>2</b>

# 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 the South of Scotland on their own journeys to Net Zero. As detailed in our first annual report for 2020/21, we committed to developing a more robust data reporting system to ensure that we could effectively produce a baseline carbon footprint for the organisation. We have achieved this, and the tables below provide an accurate illustration of our operating performance for the 2021/22 period. As we have moved out of the pandemic, in which staff members were exclusively home working due to Scottish Government guidelines, the organisation has adopted a hybrid working model. This mode of operation is much more closely aligned with what we expect to be business-as-usual and therefore 2021/22 will form SOSE's baseline year for Greenhouse Gas (GHG) emissions reporting.

		2021/22	2020/21
<b>Waste and water</b>			
Non-financial indicators (tonnesCO2e)	Total Greenhouse Gas (GHG) emissions from waste	3.38	0.93
Non-financial indicators	General waste (Tonnes)	4.12	13.06
	Recycled Waste (Tonnes)	83.28	30.79
	<b>Total Waste (Tonnes)</b>	<b>86.66</b>	<b>43.85</b>
Financial indicators (£'s)	Disposal costs	£6,264	£2,824

<b>Utilities &amp; Business Travel</b>			
Non-financial indicators (tonnesCO2e)	Electricity	84.46	75.04
	Gas	126.88	110.19
	Business Travel	14.56	1.22
	<b>Total</b>	<b>225.90</b>	<b>186.45</b>
Non-financial indicators (kWh)	Electricity	366,463	321,860
	Gas	692,723	599,274
	Business Travel	56,362	4,906
	<b>Total</b>	<b>1,115,548</b>	<b>926,040</b>
Financial indicators (£'s)	Electricity*	£55,127	£100,094
	Gas	£31,254	£19,548
	Business Travel	£16,936	£1,985
	<b>Total</b>	<b>£103,317</b>	<b>£121,627</b>

\*electricity cost for 2021/22 includes a price revision for 2020/21

We have reported data in relation to waste, utilities, and business travel where we are directly responsible for these costs. However, we have excluded water data as this is not available at the time of reporting. Our new data reporting system is built on the principles of the GHG Reporting Protocol and references the UK Government GHG Conversion Factors for Company Reporting. Our data now accurately quantifies Scope 1, 2 and 3 emissions across our operations. However, we are committed to continually improving our approach to ensure all direct and indirect emissions are captured and reported.

		2021/22	2020/21
<b>Home working</b>			
Non-financial indicators (tonnesCO2e)	Energy & heating	51.26	118.25
	<b>Total</b>	<b>51.26</b>	<b>118.25</b>

		2021/22	2020/21
<b>Total</b>			
	<b>Total GHG Emissions</b>	<b>280.54</b>	<b>305.63</b>
	<b>Percentage Change</b>	<b>(8.21%)</b>	

As reported in 2020/21, we have quantified employee home working impacts associated with energy (lighting and IT equipment) and heating. We have applied the best available methodology and referenced manufacturers data to do this within our reporting system. We will continue to report home working as accurately as possible (accounting for leave days and office days in our calculations) as part of our hybrid working model.

Our emissions have decreased by 8.21% compared with the previous reporting period. This can be explained as follows:

- Our reporting methodology and data reporting system is more accurate
- We have reduced our home working impact due to employees working in offices

As expected under a hybrid model and with client-facing staff attending meetings, business travel emissions have increased. However, the incorporation of four Nissan Leaf Electric Vehicles (EVs) within the fleet has enabled some business travel impact to be mitigated with zero emissions transport. We have now accurately quantified transmission and distribution emissions associated with electricity purchased for our premises and EVs.

# Procurement

SOSE has a Procurement Strategy that reflects the increasingly important role that procurement plays in enabling SOSE to deliver local environmental and socio-economic benefits whilst supporting a transition to Net Zero.

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

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

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

As evidence of sustainability we ask bidders to provide specific details around:

- Fair work practices and commitment to the living wage and the Scottish business pledge
- Sustainability policies/initiatives with emphasis around net-zero targets and knowledge of public sector policies and objectives
- If any Community Benefits can be derived from the contract providing bidders with examples
- This will be carried out in a proportionate manner related to the value of the contract and
- Tailored to suit the goods or services we are purchasing.

# Future

Moving forward SOSE remain dedicated to their transition to Net Zero, we are committed to purchasing green energy across our premises as well as supporting employees with smarter ways of working to further reduce emissions.

SOSE have initiated an ongoing project to look at carbon reduction initiatives through retrofitting and upgrading the energy efficiency of, and facilities within, its main offices. This includes the following: Options for improving Insulation, Heating & HVAC, Lighting, and EV charging infrastructure

*Jane Morrison-Ross*

**J Morrison-Ross**

Chief Executive and Accountable Officer

South of Scotland Enterprise

24 August 2022

# 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	Leaving date
Russel Griggs (Chairman)*	1 April 2020	
Jane Morrison-Ross (Chief Executive)	22 February 2021	
Duncan McConchie	9 March 2020	
Lindsay McDowall	9 March 2020	
Jeremy Sainsbury	9 March 2020	
Helen Forsyth	9 March 2020	
Alistair Cameron	9 March 2020	
Sara Carter	9 March 2020	
Alan Daubney (co-opted member)	13 March 2020	11 March 2022
David Sulman (co-opted member)	13 March 2020	11 March 2022
Kate Rowell (co-opted member)	13 March 2020	11 March 2022
Hazel Smith (co-opted member)	13 March 2020	11 March 2022
Vivienne Cockburn	1 April 2022	
Emma Guy	1 April 2022	
Kirsten Hannay	1 April 2022	
Paul Winstanley	1 April 2022	

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

4 board members appointments came to the end of their term on 11 March 2022; 4 new members were appointed with effect from 1 April 2022.

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

## Register of Board members' interests

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

<https://www.southofscotlandenterprise.com/who-we-are/our-board>

## Data loss

There were no reported data losses or reportable data breach incidents in the year 2021/22 (nil 2020/21).

## Appointment of auditors

Under the Public Finance and Accountability (Scotland) Act 2020, the Auditor General for Scotland has appointed Audit Scotland to carry out the external audit for the period ended 31 March 2022. 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 £83,392. 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 Act 2019, Scottish Ministers have directed South of Scotland Enterprise to prepare, in respect of each financial year a statement of accounts, and to send a copy of the statement to the Auditor General for Scotland, for auditing. In addition, SOSE must, after each financial year, prepare and publish a report of its activities during the year and send a copy of the report to the Scottish Ministers to be laid before the Scottish Parliament. The accounts are prepared on an accruals basis and must give a true and fair view of the 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 Scottish Public Finance Manual (SPFM) and the Government Financial Reporting Manual (FReM) and in particular to:

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

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 I am, as Accountable Officer, answerable, for keeping proper records and for safeguarding SOSE's assets, are as set out in Managing Public Money published by HM Treasury.

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



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

In these statements, as Accountable Officer, I confirm:

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

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

- Three lines of defence Assurance Map and Chart
- Assurance reporting to Senior Leadership Team (SLT), Audit and Risk Committee (ARC) and Board
- Risk Management Framework
- Internal Audit Programme and Reports
- Governance and assurance related policies.

# Governance statement

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

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

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

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

In the financial year 2021/22, the following specific developments have been delivered, to enhance the internal control framework:

- Project Board for Mountain Bike Innovation Centre project, with additional assurance to Audit and Risk Committee and Board
- Embedded financial controls- delegated authorities and budget monitoring
- Risk Assurance Officer in post, Risk Champions appointed and risk management database developed
- Cyber Security work – assurance review and development of SOSE security environment (Cyber Essentials; independent Ernst Young review; MCDA implementation)
- Procurement and Property focus and development including insurance review
- Carbon Literacy training and SOSE accreditation as a Climate Literate Organisation
- Development of Directorate Workplans integrating corporate objectives
- Board appointments focused on diversity and supporting SOSE's strategic priorities
- Re-planned budget setting in line with NSET in-year.

Following SPFM guidance, the Internal Control Certification (ICC) process was completed for the year ending 31 March 2022 and demonstrated that there is a system of risk management and internal control across the organisation. The key control systems are effective, proportionate and appropriate for SOSE in its second year of operation and will be further enhanced as the business systems continue to support the expanding delivery and implementation of the Operating Plan for the forthcoming year.

It is recognised that the internal control framework is in place and will continue to be developed further and throughout SOSE, to enhance and embed control mechanisms especially in the following areas, to:

- Continue to embed risk management across all areas and strengthen training, accountability and ownership of risk management throughout the whole organisation
- Further develop the business planning framework to connect to the National Strategy for Economic Transformation (NSET) and the performance management framework across SOSE
- Demonstrate application of the Equality and Diversity Policy
- Develop information asset records and owners and embed records management throughout SOSE
- Review and test the business resilience, business continuity and disaster recovery arrangements supported by third parties
- Include 'security' in the horizon scanning PESTEL(S) chart
- Communicate the Assurance Map throughout the whole of SOSE
- Develop the SOSE organisational culture and capability, including structure and workforce planning, policy framework and project management.

Looking forward to 2022-23 and future enhancement of the control environment, the recognised challenges and opportunities facing SOSE going forward, will include:

- improving efficiency, especially in business processes, to give Executives sufficient awareness and assurance (as the organisation grows and SLT become more removed from detail)
- demonstrating governance and compliance with increasing pressure on operational delivery
- maximising the potential of Board to support strategic level business delivery (e.g. Net Zero, Fair Work)
- Implementation of Directorate Workplans
- Project Management approach extended and embedded for business projects
- Pentana risk and performance management software database for policies, internal audit recommendations tracking, performance indicators.

The basis of providing assurance on SOSE's governance and internal control framework, is contained in the following sections which form the Governance Statement for 2021-22.

# Governance Framework

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

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

## Board and committee structure

Committee	Comprises	Meeting frequency	Conducted
Board	The Board comprises a total of eleven members. Four Co-optee Members who completed their term from the Board in March 2022 and four new Board Members were appointed to take up membership from 1 April 2022, following a successful recruitment campaign.	6 times per year	Face to Face or virtual by exception. Board meetings are carried out within the community throughout the region
Audit and Risk Committee (ARC)	Committee Chair plus three SOSE Board Members, with Auditors and officers in attendance	5 times per year	Virtually and minimum once per year face to face
Remuneration, Nominations and Human Resources Committee (RNHR)	Committee Chair plus three SOSE Board Members, with officers in attendance	Quarterly	Virtually / face to face
Economics Committee (EC)	Committee Chair plus two SOSE Board Members and four external Members, with officers in attendance	Quarterly	Virtually / face to face
Shadow Workers Interest Committee (SWIC)	Committee Chair plus two SOSE Board Members and ten external Members	Quarterly	Virtually / face to face

SOSE has established in the year, a Property Board including Health and Safety Committee, and Programme Board for the major project, Mountain Bike Innovation Centre. With the Staff Consultation Forum, these groups report to the Senior Leadership Team.

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

The Board and executive management structure underpins and supports:

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

Following Scottish Government's COVID-19 guidance and lifting of restrictions during the year, SOSE has begun the transition from remote working to hybrid and office working. As well as supporting employees, SOSE 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.

## Corporate Governance

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

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

The key components of the Governance Framework in SOSE are:

- Board and Committee terms of reference and forward plans
- Delegations to the Chief Executive and Senior Leadership Team through Committees and groups
- Scheme of Delegated Authority
- Accounting Policies
- Corporate Policies
- Assurance Framework: risk management framework and three lines of defence model
- Internal Audit Strategy and Annual Plan
- Annual Internal Controls Certification prepared, reviewed, and signed by Executive Directors and reviewed by the Chief Executive as Accountable Officer.

## SOSE Board

Our Board 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.

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 to Board development all new Members undertook an initial induction on appointment and existing Members' appraisals were carried out. SOSE strategy sessions have also been carried out with Board attending sessions with invited speakers from different organisations to speak about relevant themes, to build and strengthen the board's knowledge base.

## Senior Leadership Team

Within the year, the organisation structure was enhanced from four to five Directorates, with a new Directorate formed to lead on Net Zero. Dr Martin Valenti was appointed as the Executive Director of Net Zero.

Structured around five Directorates:

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

Each Directorate is led by an Executive Director who reports to the Chief Executive. Following the year-end the Director of Transformation and Development left the business on the 31<sup>st</sup> May 2022. SOSE is currently reviewing the structure in light of this change. Interim arrangements for line reporting have been made to provide staff in that Directorate with clarity of direction primarily through the Finance and Corporate Resources Directorate.

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

# Strategic Planning Framework

Drawn from its responsibilities under the SOSE Act, the strategic priorities, and operating planning for SOSE have been aligned in the year to the Regional Economic Partnership (REP), of which SOSE is a Partner, and the National Strategy for Economic Transformation (NSET) priorities.

Investment, funding, projects and support priorities were considered throughout the year alongside the strategic priorities and the SOSE Budget for 2021-22, resulting in preparation of SOSE's Operating Plan in the year.

Strategic outcomes are monitored by Board and reviewed alongside our capabilities and developing our ambitions for the region. Those strategic aims are broken down into strategic priorities with corresponding investment priorities. SOSE Board continued to carry out strategic review of investment priorities, organisational capacity and capability, resource and outcomes.

The Operational Planning Framework is structured around 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 Operating Plan 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.

## Performance Management, Value for Money and Business Improvement

SOSE's corporate reporting framework includes financial plan and budget monitoring reporting and organisational performance reporting, overseen by Board and managed by SLT.

Directorate Workplans continued to be developed in the year to align with strategic priorities and to cascade into team and project plans.

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 Fair Work, Net Zero, digital connectivity, improved transport services and infrastructure, sustainable, efficient use and reuse of resources and promoting efficient and innovative commerce and industry.

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

# Risk Management

The Risk Management Framework continued throughout the year to follow Scottish Government good practice for risk management and was enhanced in the year with the appointment of a Risk Assurance Officer and introduction of Risk Champions across all Directorates.

Refreshed Corporate and Directorate Risk Registers, risk appetite review and regular horizon scanning including political, environmental, social, technological, economic, and legal environments, as well as a deep dive review of specific risks and themes, were carried out.

A Major Project Risk Register was established for the Mountain Bike Innovation Centre Project in the year and was reported to SLT and ARC for deep dive review.

An automated Risk Management Database System, Pentana, was procured and developed in the year, with full implementation planned for the beginning of 2022-23.

## Significant Risks

During 2021-22, significant strategic level corporate risks were regularly reviewed and updated by SLT, reviewed by ARC and reported to Board. The corporate risk register at the year end, included the following key risks:

- Pandemic: Organisational impacts
- Uncertain Economic Climate - due to conflict in Ukraine, unstable global markets and fuel costs
- Cyber Security incident or business disruption
- Underutilised Budget
- People Resilience
- Perceived Lack of Governance
- Operational Capacity
- Organisational Capacity
- Reputation - Potential lack of Impact
- Mountain Bike Innovation Centre Project
- NetZero - Public Body Leadership
- Allocated Funding 2022/23 - limitations of revenue
- Insurance requirements and potential liabilities



# 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 Shadow Workers Interest Committee was established in the year 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.

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 advises Board and Chief Executive as the Accountable Officer on:

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

## Fraud Prevention

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. There were no frauds reported in 2021-22.

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

## Management of Key Financial Liabilities

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

# Information Systems, Security and Business Continuity

SOSE obtains assurance on the security and integrity of its IT systems, principally from the Shared Services contractual arrangements in place with SDS and SE for its core business systems. These include SDS hosted finance, HR, payroll and expenses systems accessed via the Cloud and SE hosted CRM database and corporate website.

Disaster recovery planning is in place for the Umbraco website should there be an outage on the MS Azure platform. Incident management plans for SOSE are as set up and are to be reviewed in 2022-23.

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

Monitoring and reporting through the EIS Security Group is in place to ensure information is secure and managed in compliance with legislation and that data is held securely. There have been no major instances of data breaches during the year.

The EIS-led cyber improvement programme continued in the year with the security operations centre and MDCA (Microsoft Defender for Cloud Apps) implementation. The ongoing EIS cyber improvement programme will also include the implementation of an improved Security Operations Centre (SOC) which performs vulnerability scanning and IT asset discovery and aids in aligning to certain controls within the ISO 27001 framework. Further development continued in the year to improve strategic alignment with all Partner organisations on the scope of systems and services to derive additional value.

Work will continue with Shared Service partners, SDS and SE to test Business Continuity Plans in the forthcoming year.

SOSE implemented Klaxon, a mass notification system, in the year to support emergency response communications in the event of business disruption.

Hybrid working continues in place and operational for all staff and provides disaster recovery contingency arrangements.

Plan B Consulting are currently working with SOSE to develop and enhance existing Business Continuity Plan policies as well as provide training for key stakeholders.

## Internal Audit

Scottish Enterprise Internal Audit completed the second of their three-year programme and delivery of the annual plan of work.

The Internal Audit Strategy and Plan are overseen and monitored by the SLT and updates are provided to Committee who approved the Annual Programme of Work for 2021-22.

The Chief Internal Auditor for Scottish Enterprise reports to the Audit and Risk Committee, communicates and liaises with the SLT and provides reports and updates to Committee at its regular meetings. There were no reports of limited or no assurance reported in the 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 action tracking.

For 2021/22 the conclusion of internal audit work carried out, and reported to the SOSE Audit and Risk Committee, identifies an overall good level of assurance on SOSE's framework of governance, risk management and management control. SOSE has an appropriate and effective risk management framework in place, which meets the requirements of the Scottish Public Finance Manual and which contributes to a successful risk culture.

## 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 2021-22.

External Audit have reviewed this governance statement for its consistency with evidence collected during their annual audit and with other information gathered by them during the period.

## Conclusion

As Accountable Officer, I confirm that I am satisfied with the effectiveness of SOSE's arrangements to ensure appropriate standards of corporate governance and effective risk management. I also confirm there were no significant control weaknesses, losses or identified data security incidents or data breaches during the year ended 31 March 2022 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, Nominations and Human Resources Committee

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

## Remuneration of Board Members

Board members of SOSE are appointed by Scottish Ministers normally for a period of four years. Under certain circumstances Board members may be eligible for re-appointment for a second term. Their remuneration is set by the Scottish Government and is not pensionable. No benefits in kind were made to members of the Board during the year ended 31 March 2022.

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

	2021/22	2020/21	Appointment Expires
	£000	£000	
Professor Russel Griggs OBE*	55-60	55 - 60	31 March 2027
Duncan McConchie	5-10	5 - 10	8 March 2024
Lindsay McDowall	5-10	5 - 10	8 March 2024
Jeremy Sainsbury	5-10	5 - 10	8 March 2024
Helen Forsyth	5-10	5 - 10	8 March 2024
Alistair Cameron	5-10	5 - 10	8 March 2024
Professor Sara Carter**	5-10	5 - 10	8 March 2024
Alan Daubney (Co-opted members)	5-10	5 - 10	Term ended 11 March 2022
David Sulman (Co-opted members)	5-10	5 - 10	Term ended 11 March 2022
Hazel Smith (Co-opted members)	5-10	5 - 10	Term ended 11 March 2022
Kate Rowell (Co-opted members)	5-10	5 - 10	Term ended 11 March 2022

\* Professor Russel Griggs OBE, in 2020/21 and 2021/22, undertook increased duties and activities during SOSE's establishment and as a result of the COVID-19 pandemic. Professor Griggs has been reappointed as Chairman for a further 4 years to 2027.

\*\* In 2020/21 and 2021/22 Professor Sara Carter's remuneration has been waived and paid directly to University of Glasgow.

4 co-opted board members appointments came to the end of their term on 11 March 2022, 4 replacement board members have been appointed with effect from 1 April 2022.

## Remuneration of Members of the Leadership Team

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

SOSE contribute 21.1% 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):

	FTE*	Actual for year to 31 March			FTE	Actual for period to 31 March		
	21/22	2022			20/21	2021		
	Salary	Salary	Pension Benefits	Total	Salary	Salary	Pension Benefits	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Nick Halfhide	-	-	-	-	90 - 95	80 - 85	98	180 - 185
Jane Morrison-Ross	110-115	110-115	37	150-155	110 - 115	10 - 15	4	15 - 20
Karen Jackson	90-95	90-95	31	120-125	85 - 90	80 - 85	27	105 - 110
Anthony Daye	90-95	90-95	82	170-175	85 - 90	90 - 95	29	120 - 125
John Evans	90-95	90-95	31	120-125	85 - 90	90 - 95	29	120 - 125
Bryan McGrath	90-95	90-95	71	160-165	85 - 90	75 - 80	78	155 - 160
Martin Valenti (appointed 05/07/21)	85-90	65-70	21	85-90	-	-	-	-

\*FTE - Full time equivalent.

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

## Salary information (Audited)

In the year remuneration, excluding the highest paid director, ranged from £20k - £92k (2020/21 - £24k - £87k). No employee received remuneration in excess of the highest paid director.

### Fair pay salary disclosures:

	2021/22	% change	2020/21
Highest paid Director	£110k-£115k	-	£110K-£115K
Average all employees	£43,231	0.9%	£43,611

Highest paid Director percentage change is calculated based on the mid-point of the reporting band.

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

	2021/22	Ratio*	% change	2020/21	Ratio*
Median total remuneration	£43,693	2.6	↓ (3.6%)	£45,320	2.5
25 <sup>th</sup> percentile	£32,043	3.6	↓(14.0%)	£37,080	3.0
75 <sup>th</sup> Percentile	£48,547	2.3	↑ 3.5%	£46,865	2.4

\*Ratio against highest paid director

The remuneration percentage change of the average employee is low due to SOSE's headcount growth during 2021/22 with a large increase in headcount below the prior year median. The percentage change in the 25<sup>th</sup> percentile and median are decreasing as a result of the change in the balance of SOSE's workforce. The increase in 75<sup>th</sup> percentile and highest paid director represents the actual salary increase.

There were no employee benefits during 2021/22 (2020/21: nil)



# Accrued Pension Benefits

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

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

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

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

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

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

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

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

## Senior Officials Pension (Audited)

Pension benefits are provided to senior officials on the same basis as all other staff. The accrued pension benefits for senior officials are set out in the table below, together with the pension contributions made by SOSE.

2021/2022

Name	Accrued pension at pension age at 31 March 2022	Accrued lump sum at pension age at 31 March 2022	Real increase in pension for period to 31 March 2022	Real increase / (decrease) in lump sum for period to 31 March 2022	CETV* at 31 March 2022 (unless noted otherwise)	CETV* at 31 March 2021	Real increase in CETV
	Band £5000	Band £5000	Band £2500	Band £2500	£000	£000	£000
Jane Morrison-Ross	0-5	-	0-2.5	-	31	3	28
Anthony Daye	25-30	-	2.5-5	-	293	246**	47
John Evans	0-5	-	0-2.5	-	51	25	27
Bryan McGrath	40-45	60-65	2.5-5	2.5-5	718	649	69
Karen Jackson	0-5	-	0-2.5	-	34	11	23
Martin Valenti	0-5	-	0-2.5	-	19	n/a	19

\*CETV – Cash equivalent transfer value

\*\*Includes transfer in from previous employer, the 31 March 2021 CETV value has been updated by £226k to reflect this.

## 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 Costs:

	2021/22			2020/21		
	Permanent Staff	Other Staff	Total Staff	Permanent Staff	Other Staff	Total Staff
	£000	£000	£000	£000	£000	£000
Wages and Salaries	4,439	141	4,580	2,373	17	2,390
Voluntary Severance Packages	-	-	-	-	-	-
Pension Costs	936	20	956	485	3	488
Social Security Costs	489	4	493	257	2	259
Apprenticeship Levy	9	-	9	-	-	-
Contract/Temporary Staff*	-	22	22	-	490	490
Holiday Pay Accrual	72	4	76	158	2	160
<b>Total</b>	<b>5,945</b>	<b>191</b>	<b>6,136</b>	<b>3,273</b>	<b>514</b>	<b>3,787</b>
Board Members' Remuneration	143	-	143	140	-	140
<b>Total</b>	<b>6,088</b>	<b>191</b>	<b>6,279</b>	<b>3,413</b>	<b>514</b>	<b>3,927</b>

\*Reported in other management expenditure in comprehensive net expenditure

## Average number of employees between 1 April 2021 and 31 March 2022:

	2021/22			2020/21		
	Permanent Staff	Other Staff	Total Staff	Permanent Staff	Other Staff	Total Staff
Senior Leadership Team	6	-	6	5	-	5
Outward/Client Facing	77	5	82	50	-	50
Professional and Administrative Staff	18	2	20	8	3	11
<b>Total</b>	<b>101</b>	<b>7</b>	<b>108</b>	<b>63</b>	<b>3</b>	<b>66</b>

## Employees by gender at 31 March 2022

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

	2021/22			2020/21		
	Male	Female	Total	Male	Female	Total
Board*	4	3	7	6	5	11
Leadership Team	4	2	6	3	2	5
Other employees	53	75	128	28	48	76

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

The system collects data for male, female, other, prefer not to say, the above represents the responses received. A request for further definitions in the system has been made.

## Sickness Absence

The attendance record for SOSE for the year to 31 March 2022 was 186 days sick leave out of a total of 27,216 possible working days representing a lost time through rate of 0.68 % (2020/21: 0.07%)

## Turnover rate

During the period there was 6.61% staff turnover (2020/21: 3.7%)

## Early retiral and severance

During the period there were no exit packages agreed (2020/21: none).

## Trade Union Facility Time

SOSE have recently established a Joint Negotiation and Consultation Forum (JNC) following the appointment of two local trade union representatives, the forum will meet regularly and involves members of our Senior Leadership Team and representatives from our recognised trade union, PCS. Through this we share information, discuss issues of mutual concern, consult and, where appropriate, negotiate on policies, procedures and terms and conditions of employment, recognising the benefits of a positive and open relationship with our recognised trade union.

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

As part of our commitment to working in partnership we offer paid facility time to our workplace representatives to enable them to carry out union activities and duties. There were two members of staff who became union representatives during the current year.

Percentage of working hours spent on facility time	Number of union officials
1 - 50%	2

The total cost of facility time amounted to 0.078% (2020/21: 0%) of the total pay bill, including the gross amount spent on wages, pension contributions, and national insurance contributions. Circa 50% of the total paid facility time hours was spent on trade union activities.

## Employee Development

We put our people at the heart of all our activities. We carried out a detailed training needs and skills gap analysis, from which we upskilled our colleagues across the workforce to ensure we have the appropriate level of skills in place across the organisation to ensure we can respond to the needs of our clients and operating plan. In summary throughout 2021-22, we focused our activities on the following areas:

- Sponsoring continued personal development opportunities for staff
- Leadership and Management Development
- Equality and Diversity
- Health and Safety
- Effective Induction, Performance and Development
- Sponsored Further and Higher Education

# Accreditations

## Equality, Diversity, Inclusion and Belonging

Equality, Diversity, Inclusion and Belonging is at the heart of our developing organisation. We want our workforce to be as diverse as the organisations, communities and people that we are here to serve. We are proud to have created an inclusive working environment where every member of our team can feel valued, at the same time as acknowledging their differences and how these differences contribute to the organisation's culture and business outcomes.

We ensure that our recruitment processes are reflective of equality 'best practice'. SOSE has a suite of family-friendly and flexible working policies that help all our employees balance the demands of work and home.

We are recognised as being [Disability Confident Committed](#), which illustrates our dedication to taking action and championing equal opportunities for disabled people.

In the last year, SOSE has gained a number of accreditations. We are a Living Wage Employer, a certified SCQF Inclusive Recruiter as well as having committed to the Young Person's Guarantee.

# Parliamentary accountability report and audit report

The results for the year to 31 March 2022 are contained in the attached accounts which have been prepared in accordance with South of Scotland Enterprise Act 2019 and are in the form directed by Scottish Ministers.

SOSE is mainly financed by Scottish Ministers through the Scottish Government Directorate for Economic Development. In addition to this SOSE also generates a small income mostly from rental property.

The original Grant in Aid (GIA) allocated to SOSE was £34.203m (2020/21: £24.8m), details are shown in the table below. As the year progressed and SOSE went through both the Autumn budget (ABR) and Spring budget reviews (SBR) this was adjusted through net transfers. The final GIA allocation was £31.866m (2020/21: £23.398m) made available to SOSE from the Scottish Government.

## Grant in Aid allocation

	Resource Departmental Expenditure Limits	Capital Departmental Expenditure Limits	Financial Transactions	Total
	£000	£000	£000	£000
<b>2021/22</b>				
Original Budget	15,803	13,400	5,000	34,203
SBR final allocation	15,966	13,400	2,500	31,866
<b>2020/21</b>				
Original Budget	11,400	8,400	5,000	24,800
SBR final allocation*	14,453	8,945	-	23,398

\*The SBR final allocation differs to outturn due to start-up grant of £255k (£165k capital and £90k resource)

The above table does not include non-cash items, separate budgets have been provided for these as detailed in the table on page 74.



## Financial Performance

The resource budget received net transfers in of £0.163m (2020/21: £3.053m), this was made up of transactions relating to Scottish Wedding Industry Fund (SWIF), Tourism Recovery & Leadership Fund and transfers to Scottish Enterprise and Scottish Government.

SOSE had a Resource underspend of £1.086m, the underspend was due to various factors during the final months of the year primarily impacted by a large project not progressing as forecast and claiming a significantly lower value. Another factor was slowing recruitment in light of 2022/23 budget allocation announcements, in which further planning was required to ensure SOSE grew as an organisation appropriate to budget.

During the year SOSE ensured Scottish Government (SG) was informed on a timely basis of our budget position and no issues have been raised, it was agreed with SG not to draw down the full resource funds (£1.2m) as a result of SOSE making them aware of an underspend. SOSE also recognised a year-end accrual of £1.2m for cash drawn down not utilised.

SOSE received other income during the period for both Departmental Expenditure Limits totalling £1.114m, Resource £0.904m (2020/21: £0.524m) and Capital £0.210m (2020/21: n/a). This primarily relates to rental and interest income, funding for Business Gateway, proceeds from land sales and grant funding received from other entities, such as Digital Boost. The final income received was slightly higher than expected and this contributed to the underspend in resource.

The capital budget was not fully utilised during the year, with an underspend of £2.730m (2020/21: spend on budget). The spend against the capital budget proved to be more challenging in year 2 compared to year 1 with businesses being affected by supply issues and continued COVID-19 restrictions. A lot of effort was put in to achieve full utilisation against the budget and while this was not achieved the work accomplished puts SOSE into a good position for the new financial year with a strong committed and in development pipeline.

Financial Transactions were partially utilised during the year, SOSE issued its first loans to businesses totalling £2.077m (2020/21: nil). During the year SOSE discussed the Financial Transaction position with Scottish Government and agreed that £2.5m would be returned during the Spring Budget Review. One of the loans issued during the year has defaulted due to the company going into liquidation, a full provision has been accounted for.

Of the £31.866m (2020/21: £23.398m) Grant in Aid the Scottish Government made available to SOSE, £30.243m (2020/21: £21.896m) was drawn down.

The Scottish Government has awarded SOSE Budget for 2022/23 of £37.003m which includes both Grant in Aid and a non-cash budget provision. This is deemed adequate for SOSE to continue for the foreseeable future.

## Summary of Outturn 2021/22

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

## Summary of Outturn 2020/21

	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
<b>Total Department Expenditure Limit</b>	<b>22,403</b>	<b>(524)</b>	<b>21,879</b>	<b>23,653</b>	<b>(1,774)</b>
Non-cash costs including depreciation	96	0	96	2,500	(2,404)
Annually managed expenditure	2,291	0	2,291	303	1,988
<b>Total</b>	<b>24,790</b>	<b>(524)</b>	<b>24,266</b>	<b>26,456</b>	<b>(2,190)</b>

## Reconciliation of Outturn to Total Comprehensive Net Expenditure

Reconciliation to total comprehensive net expenditure	2021	2020
Total comprehensive net expenditure	26,112	21,607
Land and property transfer from Scottish Enterprise	-	2,455
Pension (IAS 19)	(689)	(2,281)
Revaluation - property impairment	(285)	-
Revaluation - land and property gain	375	-
Depreciation	(135)	(96)
Proceeds from sale of land	(135)	-
Gain on sale of land	39	-
Non-current asset additions	127	211
Non-financial asset addition	25	-
Intangible additions	63	-
Expected credit loss for trade debt (AME)	(6)	-
Tax provision and charges (AME)	59	(17)
<b>Net expenditure funded by SG Departmental Expenditure Limit (DEL)</b>	<b>25,550</b>	<b>21,879</b>
Loan funding issued in year	2,077	-
Loan repayments in year - capital	(9)	-
<b>Financial transactions (FT) funded by SG</b>	<b>2,068</b>	<b>-</b>
<b>Total DEL and FT funded by SG</b>	<b>27,618</b>	<b>21,879</b>

The outturn figure for Resource and Capital Departmental Expenditure Limit and Financial Transactions reconciles to the Segmental Reporting in note 2 on page 96.

## Other disclosures

- Losses and Special Payments - the Scottish Public Finance Manual (SPFM) requires total losses and special payments exceeding £0.3m to be disclosed. SOSE has nothing to report for the period to 31 March 2022 relating to losses and special payments.
- Fees and charges - The fees and charges guidance in the SPFM require charges at market rates whenever applicable. SOSE has nothing to report for the period to 31 March 2022 relating to fees and charges.
- Gifts - The SPFM requires gifts to be reported and individual gifts of more than £0.25m to be noted separately. SOSE has nothing to report for the period to 31 March 2022 in respect of gifts.

*Jane Morrison-Ross*

**J Morrison-Ross**  
Chief Executive and Accountable Officer  
South of Scotland Enterprise  
**24 August 2022**

# Independent auditor's report

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

## Reporting on the audit of the financial statements

### Opinion on financial statements

I have audited the financial statements in the annual report and accounts of South of Scotland Enterprise for the year ended 31 March 2022 under the South of Scotland Enterprise Act 2019. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2021/22 Government Financial Reporting Manual (the 2021/22 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 2022 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 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 18 March 2022. The period of total uninterrupted appointment is one year. I am independent of South of Scotland Enterprise 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 South of Scotland Enterprise. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Conclusions relating to going concern basis of accounting

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

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

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

### Risks of material misstatement

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

### Responsibilities of the Accountable Officer for the financial statements

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

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

### Auditor's responsibilities for the audit of the financial statements

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

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

- obtaining an understanding of the applicable legal and regulatory framework and how South of Scotland Enterprise is complying with that framework;
- identifying which laws and regulations are significant in the context of South of Scotland Enterprise;
- 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 South of Scotland Enterprise'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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## Reporting on regularity of expenditure and income

### Opinion on regularity

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

### Responsibilities for regularity

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

## Reporting on other requirements

### Opinion prescribed by the Auditor General for Scotland on audited 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.

### Other information

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

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to

determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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

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

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

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

## Matters on which I am required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the audited 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.

*Pauline Gillen*

**Pauline Gillen, Audit Director**

Audit Scotland

8 Nelson Mandela Place

Glasgow, G2 1BT

**25 August 2022**



# Financial Statements

# South of Scotland Enterprise

## Statement of comprehensive net expenditure for the year ended 31 March 2022

		2022	2021
	Notes	£000	£000
<b>Expenditure from Activities</b>			
Operating expenditure	4	18,157	16,948
Net management expenditure on staff costs	6	6,258	3,437
Other management expenditure	6	3,517	2,464
Depreciation and impairment	6	420	96
		<b>28,352</b>	<b>22,945</b>
<b>Income</b>			
Income from activities	3	(509)	(466)
Other income	3	(459)	(28)
		<b>(968)</b>	<b>(494)</b>
<b>Net operating expenditure</b>		<b>27,384</b>	<b>22,451</b>
Land and property transfer from Scottish Enterprise	8	-	(2,455)
Other finance charges	5	61	7
Interest receivable	5	(50)	(30)
<b>Net expenditure after interest</b>		<b>27,395</b>	<b>19,973</b>
Taxation	7	(151)	17
<b>Net expenditure</b>		<b>27,244</b>	<b>19,990</b>
<b>Other comprehensive (income)/ expenditure</b>			
<b>Items that will not be reclassified to net expenditure</b>			
Deferred tax arising on revaluation of buildings	7	92	-
Actuarial (gain)/ losses recognised in retirement benefit scheme	18	(850)	1,617
Revaluation gain on land and property	8	(374)	-
<b>Other comprehensive expenditure for the period</b>		<b>(1,132)</b>	<b>1,617</b>
<b>Total comprehensive net expenditure for the period</b>		<b>26,112</b>	<b>21,607</b>

The notes on page 82 to 120 form part of these accounts.

# South of Scotland Enterprise

## Statement of financial position as at 31 March 2022

		2022	2021
	Notes	£000	£000
<b>Non-current assets</b>			
Property, plant and equipment	8	1,936	2,417
Intangible assets in development	11	63	-
Financial assets	9	1,525	-
Non-financial assets	10	25	-
		<b>3,549</b>	<b>2,417</b>
<b>Current assets</b>			
Trade and other receivables	13	1,351	261
Cash and cash equivalents	14	4,950	1,042
Assets classified as held for sale	15	618	153
Current financial assets	9	94	-
Deferred tax	7	43	-
<b>Total current assets</b>		<b>7,056</b>	<b>1,456</b>
<b>Total assets</b>		<b>10,605</b>	<b>3,873</b>
<b>Current liabilities</b>			
Trade payables and other current liabilities	16	(4,222)	(869)
Taxation payable	16	(42)	(179)
<b>Total current liabilities</b>		<b>(4,264)</b>	<b>(1,048)</b>
<b>Non-current assets plus current assets less current liabilities</b>		<b>6,341</b>	<b>2,825</b>
<b>Non-current liabilities</b>			
Trade payables and other liabilities	17	(1,974)	-
Retirement benefit obligation	18	(2,970)	(2,281)
<b>Total non-current liabilities</b>		<b>(4,944)</b>	<b>(2,281)</b>
<b>Assets less liabilities</b>		<b>1,397</b>	<b>544</b>
<b>Taxpayers equity</b>			
General Reserve		1,653	2,024
Revaluation reserve		511	137
Pension Reserve		(767)	(1,617)
<b>Total equity</b>		<b>1,397</b>	<b>544</b>

The notes on page 82 to 120 form part of these accounts.

# South of Scotland Enterprise

Financial statements as at 31 March 2022

The Accountable Officer authorised these financial statements for issue on **24 August 2022**

*Jane Morrison-Ross*

**J Morrison-Ross**

Chief Executive and Accountable Officer

South of Scotland Enterprise

**24 August 2022**

# South of Scotland Enterprise

## Statement of cash flows for the year ended 31 March 2022

		2022	2021
	Notes	£000	£000
<b>Cash flow from operating activities</b>			
Net expenditure before taxation		(27,395)	(19,973)
Adjustments for:			
Land and property transfer from SE	8	-	(2,455)
Depreciation	8	135	96
Property Impairment	8	285	-
Provision for expected credit losses	9	464	-
Movement in pension	18	1,539	664
Gain on sale of land	15	(39)	-
Interest receivable	5	(50)	(30)
(Increase) in trade and other receivables	13	(1,095)	(271)
Provision for irrecoverable debts and losses	13	5	10
Increase in trade and other payables	16	1,935	1,006
Movement and deferred income	16	(6)	25
<b>Net cash outflow from operating activities</b>		<b>(24,222)</b>	<b>(20,928)</b>
<b>Cash flows from investing activities</b>			
Sale of land	15	135	-
Purchase of non-financial asset	10	(25)	-
Purchase of intangible asset	11	(63)	-
Payments to acquire plant and equipment	8	(127)	(211)
Interest received in year	9	35	30
Loans advanced in year	9	(2,077)	-
Loans repaid in year	9	9	-
<b>Net cash outflow from investing activities</b>		<b>(2,113)</b>	<b>(181)</b>
<b>Cash flows from financing activities</b>			
Grant and Grant in aid from Scottish Government		30,243	22,151
<b>Net cash from financing activities</b>		<b>30,243</b>	<b>22,151</b>
<b>Net increase in cash and cash equivalents</b>	14	<b>3,908</b>	<b>1,042</b>
Cash and cash equivalents at beginning of period	14	1,042	-
<b>Cash and cash equivalents at end of period</b>	14	<b>4,950</b>	<b>1,042</b>

The notes on page 82 to 120 form part of these accounts.

# South of Scotland Enterprise

## Statement of changes in taxpayers' equity for the year ended 31 March 2022

	£000	£000	£000	£000
	General Reserve	Revaluation Reserve	Pension Reserve	Total Reserves
<b>Changes in taxpayers' equity 2020-21</b>				
Net expenditure during the year	(19,990)	-	-	(19,990)
Asset transfer from Scottish Enterprise - revaluation	(137)	137	-	-
Actuarial gain / (loss)	-	-	(1,617)	(1,617)
<b>Total recognised income and expense</b>				
Grant and Grant Aid from Scottish Government	22,151	-	-	22,151
<b>Balance at 31 March 2021</b>	<b>2,024</b>	<b>137</b>	<b>(1,617)</b>	<b>544</b>
<b>Changes in taxpayers' equity 2021-22</b>				
Net expenditure during the year	(27,245)	-	-	(27,245)
(Loss) / Gain on revaluation of property, plant and equipment		374	-	374
Actuarial gain / (loss)	-	-	850	850
Deferred tax current year credit	(92)	-	-	(92)
<b>Total recognised income and expense</b>				
Grant in Aid from Scottish Government*	26,966	-	-	26,966
<b>Balance at 31 March 2022</b>	<b>1,653</b>	<b>511</b>	<b>(767)</b>	<b>1,397</b>

\*Grant in Aid from SG in general reserve does not include the amount received for financial transactions, this is recorded under current and non-current liabilities (Note 17)

# 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 2021/22 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 18)
- 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 15)

## Going Concern

The Board and Accountable Officer have considered the resource budget for 2022/23, 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 Statement of Financial Position as at 31 March 2022, net assets of £1.397m, 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.

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

## Property, plant and equipment

During the period SOSE held property, land 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. Following consideration by the Property Board the decision was made to conduct a year end valuation at 31 March 2022 due to market changes.

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.

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

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

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

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

- **Subsequent expenditure**

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

- **Impairment**

Assets that have an indefinite useful life, for example land, are not subject to depreciation or amortisation and are tested annually for impairment in the annual 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.

## Intangible Assets in Development

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

## Non-current assets held for sale

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

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

Non-current assets held for sale are not depreciated.

## Financial assets – loans

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

## Financial assets – trade and other receivables

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

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

## Financial asset – expected credit loss

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

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

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

## Cash and cash equivalents

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

## Trade and other payables

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

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

## 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 and deferred tax. Tax is recognised in the Statement of Comprehensive Net Expenditure. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using the rates enacted. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions for corporation tax on gains, profits and losses, as computed for tax purposes, arising from business activities on the basis of amounts expected to be paid to the tax authorities.

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, 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 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. An internal annual review was conducted by SOSE's senior management during the quarter four Property Board meeting. This considered the appropriateness of land and property carrying values, the management recognised the need for an external valuation due to deemed significant market changes, therefore an external valuation has been conducted at 31 March 2022

- **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 18.

- **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 the Statement of Financial Position.

- **Expected credit loss on financial assets**

With limited historic information to base calculations, SOSE have considered other similar body calculations along with SOSE's activity to base judgements for calculating appropriate provisions.

## 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**

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, estate costs and one-off provisions 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 2022

	2022	2021
	£000	£000
<b>Expenditure</b>		
<b>Projects:</b>		
Strategic Partnerships and Projects	2,970	1,604
Covid Recovery & Restart Fund	1,567	3,767
Business Innovation & Improvement Fund (2020/21: Adaptation & Diversification Fund)	6,201	6,056
Hotel Support Programme	-	848
Enterprising Communities Development and Opportunities Fund (2020/21: Community Asset Development Fund)	4,699	1,746
Community Ideas Fund	240	160
Scottish Wedding Industry Fund	280	1,700
Green Jobs Fund	549	-
Priority Communities Regeneration Programme	145	-
Tourism Leadership and Recovery	80	-
Loan funding issued in year	2,077	-
Loan repayments in year - capital	(9)	-
<b>Total project expenditure</b>	<b>18,799</b>	<b>15,881</b>
<b>Directorate expenditure:</b>		
Operations	17	473
Finance and Corporate Resources	1252	439
Strategy, Partnership and Engagement	571	213
Enabling Services	577	1,368
Net Zero	27	-
<b>Total directorate expenditure</b>	<b>2,444</b>	<b>2,493</b>



	2022	2021
	£000	£000
<b>Other expenditure:</b>		
Provision for expected credit loss	464	-
Payroll expenditure	6,257	3,437
Estate expenditure	578	381
Capital Additions	190	211
<b>Total other expenditure</b>	<b>7,489</b>	<b>4029</b>
<b>Total Gross expenditure</b>	<b>28,732</b>	<b>22,403</b>
<b>Income</b>		
Property rental	(470)	(466)
Bank interest	-	(30)
Loan interest	(50)	-
Proceeds from sale of land	(135)	-
Grants and other funding received	(459)	(28)
<b>Total other income</b>	<b>(1,114)</b>	<b>(524)</b>
<b>Net expenditure funded by core SG income</b>	<b>27,618</b>	<b>21,879</b>

### 3. Income from operating activities

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

	2022	2021
	£000	£000
<b>Income from Activities</b>		
Property rental	470	466
Gain on sale of land	39	-
	<b>509</b>	<b>466</b>
<b>Other Income</b>		
Grants income	99	28
Other funding contributions*	360	-
	<b>459</b>	<b>28</b>
	<b>968</b>	<b>494</b>

\*Other funding contributions include funding towards Civtech, Digital Boost and Business Gateway shared costs

### 4. Expenditure on operating activities

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

	2022	2021
	£000	£000
<b>Expenditure from activities</b>		
Project expenditure	16,707	15,881
Rental properties expenditure*	578	381
<b>Operating activities</b>		
Directorate expenditure	872	686
<b>Total expenditure on operating activities</b>	<b>18,157</b>	<b>16,948</b>

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

## 5. Other finance (income) / charges

	2022	2021
	£000	£000
<b>Interest receivable</b>		
Loan interest receivable	(50)	-
Bank interest receivable	-	(30)
<b>Total interest receivable</b>	<b>(50)</b>	<b>(30)</b>
<b>Other finance (income) / charges</b>		
Interest income on retirement benefit assets	(71)	(6)
Interest on retirement benefit scheme obligations	132	13
<b>Total other finance charges</b>	<b>61</b>	<b>7</b>

## 6. Administration and management charges

	2022	2021
	£000	£000
<b>Continuing operations</b>		
Staff and board member salaries*	6,182	3,277
IAS 19 Holiday accrual	76	160
<b>Net management expenditure on staff costs</b>	<b>6,258</b>	<b>3,437</b>
Travel and subsistence – board members	4	-
Travel and subsistence – staff	3	2
Audit fees**	147	153
Movement in provision for irrecoverable trade debts	5	10
Movement in expected credit loss provision	464	-
Other admin costs	2,894	2,299
<b>Other management expenditure</b>	<b>3,517</b>	<b>2,464</b>
Depreciation of fixed assets	135	96
Impairment of property	285	-
<b>Depreciation and impairment</b>	<b>420</b>	<b>96</b>
<b>Total administration and management charges</b>	<b>10,195</b>	<b>5,997</b>

\*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, £83,392.

## 7. Taxation

	2022	2021
	£000	£000
<b>Taxation per statement of comprehensive net expenditure</b>		
Current tax on profits for the year	(17)	17
<b>Deferred tax</b>		
Origination and reversal of timing differences	(106)	-
Prior period adjustment	4	-
Effect of changes in tax rates	(32)	-
<b>Total deferred tax</b>	<b>(134)</b>	<b>-</b>
<b>Tax per statement of comprehensive net expenditure</b>	<b>(151)</b>	<b>17</b>
<b>Other comprehensive (income)/ expenditure</b>		
Deferred tax current year charge	92	-
<b>Tax per other comprehensive (income)/ expenditure</b>	<b>92</b>	<b>-</b>

	2022	2021
	£000	£000
<b>Current tax on profits for the year</b>		
Taxable profit for the period	(328)	66
Tax on profit at standard UK tax rate of 19%	(62)	13
<b>Effects of:</b>		
Expenses not deductible	10	4
Gains / rollover release	5	-
Prior period adjustment	(12)	-
Tax rate changes	(32)	-
Unrealised capital loss on land & buildings	(70)	-
Other	10	-
<b>Tax charge for the period</b>	<b>(151)</b>	<b>17</b>

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

## 7. Taxation (continued)

	2022	2021
	£000	£000
<b>Statement of Financial Position</b>		
Adjustment in respect of prior years	4	-
Deferred tax charge to income statement for year	(139)	-
Deferred tax charge in OCI for year	92	-
<b>Deferred tax asset at end of year</b>	<b>43</b>	<b>-</b>

## 8. Property, plant and equipment

Upon establishment in 2020/21, 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, related land and property transferred on 1 June 2020 and has been accounted for by a transfer of absorption with the relating expense recognised in the Statement of Comprehensive Net Expenditure.

Routinely SOSE will revalue land and buildings on a triennial basis. However due to market changes SOSE have undertaken an external year-end valuation at 31 March 2022 for land and buildings conducted by Montague Evans LLP, Chartered Surveyors.

The revaluation resulted in the following movements:

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

## 8. Property, plant and equipment (continued)

	LAND	BUILDINGS	IT EQUIP	FIXTURES & FITTINGS	TOTAL
	£000	£000	£000	£000	£000
<b>Cost</b>					
Transfer from SE	1,030	1,425	-	-	2,455
Additions	-	-	211	-	211
Reclassification*	(153)	-	-	-	(153)
<b>At 31 March 2021</b>	<b>877</b>	<b>1,425</b>	<b>211</b>	<b>-</b>	<b>2,513</b>
<b>Depreciation</b>					
Charged in year	-	(41)	(55)	-	(96)
<b>At 31 March 2021</b>	<b>-</b>	<b>(41)</b>	<b>(55)</b>	<b>-</b>	<b>(96)</b>
<b>Net Book Value</b>					
<b>At 31 March 2021</b>	<b>877</b>	<b>1384</b>	<b>156</b>	<b>-</b>	<b>2,417</b>
<b>Cost</b>					
At 1 April 2021	877	1,425	211	-	2,513
Additions	-	-	75	52	127
Revaluation	353	(355)	-	-	(2)
Reclassification*	(561)	-	-	-	(561)
<b>At 31 March 2022</b>	<b>669</b>	<b>1,070</b>	<b>286</b>	<b>52</b>	<b>2,077</b>
<b>Depreciation</b>					
At 1 April 2021	-	41	55	-	96
Charged in year	-	49	79	7	135
Eliminated on revaluation	-	(90)	-	-	(90)
<b>At 31 March 2022</b>	<b>-</b>	<b>-</b>	<b>134</b>	<b>7</b>	<b>141</b>
<b>Net book value</b>					
<b>At 31 March 2022</b>	<b>669</b>	<b>1,070</b>	<b>152</b>	<b>45</b>	<b>1,936</b>

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

## 9. Financial Assets

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

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

Loans	2022
	£000
<b>Amortised Cost</b>	
At April 2021	-
Additions	2077
Repayments	(44)
Disposals	-
Amortisation Adjustment	50
Reclassification	-
Written off	-
<b>At 31 March 2022</b>	<b>2,083</b>
<b>Expected credit loss</b>	
At April 2021	-
Additions	464
Disposals	-
Released	-
Written off	-
<b>At 31 March 2022</b>	<b>464</b>
<b>Net book value</b>	
At 31 March 2022	1,619
At 31 March 2021	-
<b>Analysis of loans and receivables</b>	
Due within 1 year	94
Due over 1 year	1,525

## 10. Non-Financial Assets

During the year SOSE paid a deposit for an option to purchase Caerlee Mill in the Scottish Borders as part of the Borderlands project. The option is expected to be fulfilled and purchase of Mill forecast within 2022/23

	2022	2021
	£000	£000
Non-financial asset	25	-

## 11. Intangible Assets in Development

SOSE have commenced work on bespoke software development a Customer Relationship Management (CRM) system. Following the research phase, costs charged to expenditure, the development costs have been accounted for as an intangible in development.

	2022	2021
	£000	£000
Intangible assets in development	63	-

## 12. 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. 2021/22 – Robinsons Scotland Ltd received a £300,000 repayable grant on the condition of repayment being due when the company has returned to 2 consecutive years of profitability (subject to a review of trading forecast), company is sold within 3 years of acceptance of grant, the company becomes insolvent.
2. 2020/21 - 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.
3. 2020/21 - 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.



## 13. Trade and other receivables

	2022	2021
	£000	£000
Trade receivables	127	61
Allowance for credit loss	(15)	(10)
Prepayments	1,128	55
Other receivables	111	155
	<b>1,351</b>	<b>261</b>

	2022	2021
	£000	£000
<b>Analysis of trade and other receivables within boundaries for whole government accounts</b>		
Balances with local authorities	0	21
Balance with similar public bodies	49	
Balances with other central government bodies	114	
Balances with bodies external to government	1,188	240
	<b>1,351</b>	<b>261</b>

## 14. Cash and cash equivalents

	2022	2021
	£000	£000
Opening balance	1,042	-
Net change in cash and cash equivalent balances	3,908	1,042
<b>Balance as at 31 March</b>	<b>4,950</b>	<b>1,042</b>

## 15. Assets classified as held for resale

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

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

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

\*The commercial land plots under offer at business and industrial parks in Cargenbridge, Annan and Heathhall are expected to complete in the next financial year, accordingly £561k has been transferred to held for resale at year-end.

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

## 16. Trade payables and other payables: falling due within one year

	2022	2021
	£000	£000
Trade payables	3,463	431
Accruals	637	413
Deferred income	19	25
Financial transaction funding due to SG	103	-
<b>Trade payables and other current liabilities</b>	<b>4,222</b>	<b>869</b>
Taxation and social security	42	162
Corporation tax	0	17
<b>Taxation payable</b>	<b>42</b>	<b>179</b>
<b>Total trade payables and other payables: falling due within one year</b>	<b>4,264</b>	<b>1,048</b>

	2022	2021
	£000	£000
<b>Analysis of trade and other payables within boundaries for whole government accounts</b>		
Balances with central government bodies	1,345	184
Balances with local authorities	180	102
Balances with similar public bodies	275	205
	<b>1,800</b>	<b>491</b>
Balances with bodies external to government	2,464	557
	<b>4,264</b>	<b>1,048</b>

## 17. Trade payables and other payables: falling due after one year

	2022	2021
	£000	£000
Financial transaction funding due to SG	1,974	-
<b>Trade payables and other payables falling after one year</b>	<b>1,974</b>	<b>-</b>

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

	2022	2021
	£000	£000
<b>Analysis of trade and other payables within boundaries for whole government accounts</b>		
Balances with central government bodies	1,974	-

## 18. Retirement benefit obligation

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

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

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

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

Contribution rates are set annually for all employees. During the period SOSE contributed 21.1% 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 2022.

## Valuation

The valuation at 31 March 2022 indicated a liability of £2.97 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 2022	31 March 2021
Rate of salary increases	3.85%	3.50%
Rate of pension increase CPI	3.15%	2.80%
Discount rate	2.75%	2.05%

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

Assets expected rate of return	31 March 2022	31 March 2021
	£000	£000
Equity securities	1,061	720
Real estate	652	310
Investment funds and unit trusts	2,383	1,725
Cash and cash equivalents	164	51
<b>Fair value of plan assets</b>	<b>4,260</b>	<b>2,806</b>
Present value of scheme liabilities	(7,230)	(5,087)
<b>Net pension liability</b>	<b>(2,970)</b>	<b>(2,281)</b>

The current values show a liability of £2.97m on 31 March 2022.

## Retirement benefit obligation

Analysis of the amount charged to SCNE	31 March 2022	31 March 2021
	£000	£000
Current service cost	2,434	1,145
Interest income on retirement benefit assets	(71)	(6)
Interest on retirement benefit scheme obligations	132	13
<b>Net pension scheme expense</b>	<b>2,495</b>	<b>1,152</b>
<b>Analysis of the amount recognised in SOCEs</b>		
Return on assets excluding net interest	(100)	(2,140)
Other experience losses arising on the scheme liabilities	13	3,396
Changes in demographic assumptions underlying the present value of scheme liabilities	(36)	(5)
Changes in financial assumptions underlying the present value of scheme liabilities	(727)	366
<b>Defined benefit cost recognised in SOCE</b>	<b>(850)</b>	<b>1,617</b>
<b>Reconciliation of defined benefit obligation</b>		
Opening of defined benefit obligation	5,087	-
Movement in year:		
Current service costs	2,434	1,145
Interest cost on defined benefit obligation	132	13
Contributions from members	327	172
Changes in assumptions	(763)	361
Other experience*	13	3,396
<b>Closing of defined benefit obligation</b>	<b>7,230</b>	<b>5,087</b>
<b>Reconciliation of fair value of plan assets</b>		
Opening fair value of plan assets	(2,806)	-
Movement in year:		
Contributions from members	(327)	(172)
Contributions by employer	(956)	(488)
Interest income on plan assets	(71)	(6)
Return on plan assets*	(100)	(2,140)
<b>Closing fair value of plan assets</b>	<b>(4,260)</b>	<b>(2,806)</b>
<b>Net pension liability</b>	<b>2,970</b>	<b>2,281</b>

## Retirement benefit obligation (table note)

\*During 2020/21 other experience and return on plan assets were 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

	2022	2021
	£000	£000
Other management expenditure	1,478	657
Other finance charges	61	7

The total gain amount recognised in the statement of other comprehensive net income / expenditure in respect of the 2021/22 actuarial gain is £0.85m (2020/21 £1.617m actuarial loss)

## 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:

	2022		2021	
	Male	Female	Male	Female
Current pensioners	20.7 years	23.3 years	20.9 years	23.5 years
Future pensioners*	21.6 years	25.2 years	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 *	2022		2021	
	Approximate % increase to employer liability	Approximate monetary amount £000	Approximate % increase to employer liability	Approximate monetary amount £000
0.1% decrease in real discount rate	3%	198	3%	142
0.1% increase in the salary increase rate	0%	35	1%	38
0.1% increase in the pension increase rate	2%	161	2%	99
1 year increase in member life expectancy	4%	289	not available	not available

\*2021 figures reported restated against 0.1% comparatives (previously reported change in assumptions based on 0.5%)

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.

## 19. Commitments

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.

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

As at 31 March 2021	2021/22	2022/23	2023/24	2024/25	TOTAL
	£000	£000	£000	£000	£000
<b>Programme commitments:</b>					
Capital commitments	4,473	922	-	-	5,395
Revenue commitments	1,571	1,341	1,142	1,004	5,058
<b>Total programme commitments</b>	<b>6,044</b>	<b>2,263</b>	<b>1,142</b>	<b>1,004</b>	<b>10,453</b>

## 20. 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.

During the year SOSE leased a fleet of electric vehicles for staff to make business journeys with zero emissions.

	At 31 March 2022	At 31 March 2021
	£000	£000
	Property	Property
<b>Obligations under operating and similar leases</b>		
Within one year	43	86
Within two to five years	-	43
In over five years	-	-
<b>Property lease</b>	<b>43</b>	<b>129</b>
	EV lease	EV lease
Within one year	13	-
Within two to five years	15	-
In over five years	-	-
<b>Electric vehicles lease</b>	<b>28</b>	<b>-</b>
<b>Total obligations under operating and similar leases</b>	<b>71</b>	<b>129</b>

### 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. Etrick Riverside, Selkirk is in part available to third parties and also occupied by SOSE for office accommodation. The below outlines all non-cancellable operating leases with third parties in relation to rent of SOSE properties.

	At 31 March 2022	At 31 March 2021
	£000	£000
	Property	Property
<b>Receivable under operating and similar leases</b>		
Within one year	201	240
Within two to five years	155	328
In over five years	-	-
<b>Total receivable under operating and similar leases</b>	<b>356</b>	<b>568</b>

## 21. Transactions involving Board members' and Directors registered interests

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

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

Business	Amount approved in year	Amount paid in year	Nature of Transaction	Board member	Interest
Scotmas	£900,000	£900,000	Loan	A Cameron	CEO
ReTweed Scottish Charity & Social Enterprise	£21,917	£21,917	Capital Grant	H Smith	Executive Director
GG's Yard	£1,250	£1,250	Scottish Wedding Industry Funding	D McConchie	Proprietor
Laggan Outdoor Limited	£841	£841	Expert Help	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:

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

## 22. 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

## 23. Financial instruments

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

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

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

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

## Liquidity risk

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

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

The table below details the contractual maturities of financial liabilities:

	2022	2021
	£000	£000
	Within one year	Within one year
<b>Financial liabilities</b>		
Trade and other payables	4,362	1,048
	<b>4,362</b>	<b>1,048</b>

## Credit risk

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

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

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

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

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

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

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

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

### The maximum exposure to credit risk at 31 March was:

	2022	2021
	£000	£000
	Within one year	Within one year
<b>Financial assets-non-current assets</b>		
Financial assets	1,525	-
<b>Financial assets-current assets</b>		
Trade and other receivables	430	261
Cash and cash equivalents	4,950	1,042
Current other financial assets	94	-
	<b>5,474</b>	<b>1,303</b>

### The aging of trade and other receivables was:

	2022		2021	
	£000	£000	£000	£000
	Gross	Provisions	Gross	Provisions
<b>Not passed due</b>	395		211	
Past due 0 to 30 days	10		4	
Past due 31 to 120 days	12	1	34	
Past due more than 120 days	28	14	22	10
	<b>445</b>	<b>15</b>	<b>271</b>	<b>10</b>

## Market risk

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

## Interest rate risk

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

	2022	2021
	£000	£000
	Within one year	Within one year
<b>Variable rate instruments</b>		
Cash and cash equivalents	4,950	1,042

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

## Interest rate risk sensitivity

	2022		2021	
	£000	£000	£000	£000
Cash and cash equivalents	Increase	Decrease	Increase	Decrease
31 March	30	-	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 2022 there were no balances in the Statement of Financial Position held out with functional currency.

## 24. Events after the reporting period

The management have considered the 2022/23 activity to date and confirm there are no significant or material events to report.





# Accounts Direction by the Scottish Ministers



**South of Scotland Enterprise**

**DIRECTION BY THE SCOTTISH MINISTERS**

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

Signed by the authority of the Scottish Ministers

Dated 15/06/2021

# Contact us

Find out more at

[www.southofscotlandenterprise.com](http://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](http://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.

