



Photo : © Pete Robinson
Stranraer Oyster Festival

Annual & Report Accounts

1 April 2023 –
31 March 2024

Contents

| | |
|---|-----|
| PERFORMANCE REPORT | 3 |
| Chair and Chief Executive's foreword | 4 |
| Overview: About SOSE | 6 |
| Performance overview | 7 |
| Performance analysis | 15 |
| Financial performance | 38 |
| Public interest reporting | 43 |
| Sustainability and environment report | 45 |
| ACCOUNTABILITY REPORT | 49 |
| Directors' report | 50 |
| The Statement of Accountable Officer's responsibilities | 52 |
| Governance statement | 54 |
| Remuneration and staff report | 64 |
| Parliamentary accountability report and audit report | 71 |
| Independent auditor's report | 75 |
| FINANCIAL STATEMENTS | 79 |
| Statement of Comprehensive Net Expenditure | 80 |
| Statement of Financial Position | 81 |
| Statement of Cash Flows | 83 |
| Statement of Changes in Taxpayers' Equity | 84 |
| Notes to the accounts | 85 |
| ACCOUNTS DIRECTION BY THE SCOTTISH MINISTERS | 119 |

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 1 April 2023 to 31 March 2024. Together with the independent auditor's report to the members of SOSE, the Scottish Parliament and Auditor General for Scotland.

Performance Report

Chair & Chief Executive's Foreword

As we present our fourth annual report and accounts, it allows us to reflect on the activities of South of Scotland Enterprise during the 2023/24 financial year.

2023/24 was a year of further successful delivery for SOSE, as we continue to drive forward the vision for a green, fair and flourishing South of Scotland.

We have been asked many times how we know we are delivering on our vision.

Measuring the impact of what we do has been a key focus in 2023/24 and we now have a baseline set of data to be measured against. This will be built upon further in 2024/25 through new, leaner systems and processes.

That impact across 2023/24 saw SOSE engage with 1,300 enterprises, with £9.2m worth of grants and loan funding approved for 152 organisations. This activity helped create 377 jobs and safeguard 1,316 posts. However, while funding can be important, our main role as a development agency is for our staff to work with communities and businesses to help them plan and grow for the future. That 'invisible' impact is crucially important and something we will be looking to record more of over the coming years.

Some specific highlights for this year include the South of Scotland being recognised by the Scottish Government as the country's Natural Capital Innovation Zone. This new title acknowledges our focus on pioneering innovative methods of land and marine management, accelerating responsible investment across the region, and building and strengthening partnerships with the public, private and third sector organisations. Collaboration is at the heart of all we do.

We also continue to develop innovative frameworks and partnerships to help unlock inward investment opportunities in the South of Scotland.

These have included the launch of the South of Scotland Net Zero Investment Guide, as well as delivery of a new website www.investinsouthofscotland.com which promotes all the benefits of doing business in the South of Scotland.

Land for new investment is key, which is why we completed the purchase of a section of land near Chapelcross - which is being turned into the South of Scotland Green Energy Zone - and also a £3m grant to help unlock the potential of the Borders Innovation Park in Tweedbank.

Support for businesses, enterprises and community groups across the South is provided through our staff expertise, and also where appropriate a series of dedicated funds, including the £1m Net Zero Accelerator Fund, the £0.3m Cycling Infrastructure Fund and the £0.1m CreaTech Fund in 2023/24.

With our Councils, and other partners, we also helped secure and deliver a number of 2023 UCI World Cycling Championships events in the South of Scotland. Our investment helped to ensure over 65million broadcast viewers from across the globe watched the events hosted in Dumfries & Galloway and the Scottish Borders, providing a direct economic impact worth £8m to the whole region.

Partnership working remains at the heart of SOSE's activities. This included helping the region to earn UCI Bike Region Label status, joining a prestigious list of leading cycling destinations across the world.

We also continue to play a leading role in the South of Scotland Regional Economic Partnership (REP), helping to drive forward the Regional Economic Strategy and now the Housing Action Plan in 2024/25, as we focus on the real challenges that face the region.

Our advocacy for Fair Work across the South of Scotland continues, with all SOSE grant funding recipients now required to pay the real Living Wage and ensure the provision of effective channels for employee voice.

2024/25 is going to be a challenging year for all of us but we are absolutely determined to continue to deliver on our priorities once again for the region.

These challenges emphasise the need for us to work closely with those who can help fulfil our ambitions and create the South of Scotland we all want to see.

Every one of our SOSE team is committed to meeting these ambitions - at the same time as continuing to help communities, businesses, social enterprises and all of the people of the South to thrive, grow and fulfil the potential we know the region has.

As always, our message to anyone who may have an idea, or needs support is - get in touch with us.

Our support is tailored to you. We listen first and then aim to work with you and partners to deliver what is needed to build a thriving future for us all, in the wonderful South of Scotland.

Professor Russel Griggs OBE
Chair, South of Scotland Enterprise

Jane Morrison-Ross
Chief Executive, South of Scotland Enterprise



Professor Russel Griggs OBE
Chair, South of
Scotland Enterprise



Jane Morrison-Ross
Chief Executive,
South of Scotland Enterprise

Overview: About SOSE

Who we are

We - South of Scotland Enterprise or SOSE for short - exist to ensure that the South of Scotland benefits from a fresh and regionally focused approach to economic and community development, which addresses the distinct situation of our mainly rural region. We were established through legislation, the South of Scotland Enterprise Act 2019, assuming our powers and launching on 1 April 2020.

Covering Dumfries and Galloway and the Scottish Borders, our focus as a public body is to help people, communities, and enterprises in our region to thrive, grow and fulfil their potential. We are here to be bold and ambitious, to take risks and to do things differently to make things happen in our great region.

Following the publication of our Five-Year Plan in April 2023, our focus is now grouped around six key themes - our Six As - which have been shaped by extensive engagement with those who live, work, are based and who are active across the South.

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

Our focus on the Six As acts to ensure that we are playing our part to help realise the wider, collective vision for a Greener, Fairer and Flourishing South of Scotland by 2031. It also ensures that in doing so, we are maximising our contribution to national ambitions too and the Scottish Government’s vision for a Wellbeing Economy.

Our aims

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

Our vision

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

Our mission

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

Our values

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

Our board

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

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

Performance Overview

2023/24 represented a continuing period of development for SOSE in our fourth year; we refined processes and structured teams to provide an impactful service for the South of Scotland. We are confident our actions this year have responded to the needs and opportunities present in our region and we have made progress in exploring ways in which to maximise these – as well as delivering outcomes aligned to wider Scottish priorities.

Strategic Guidance

Our Strategic Guidance Letter from Scottish Government Ministers sets out the outcomes SOSE should focus on to help achieve the national ambition for a wellbeing economy. It cites the vital role we must play in helping create job growth and increase tax take, which consequently will raise the investment needed to improve public services and to help tackle poverty.

The Strategic Guidance Letter highlights the need for us to work with Scottish and Local Government, alongside wider partners, to support a programme of reform to improve the way we collectively support businesses, increase investment, and realise economic opportunities. Ministers are explicit that we should play a decisive role in delivering the recommendations which flow from these reforms, through shaping and implementing the response to them.

The letter acknowledges and welcomes how we have undertaken an organisational review and restructure to support the delivery of activity under the six areas of strategic focus in our Five-Year Plan – ‘our six As’, which align well with national ambitions.

More specific outcomes include sustaining and accelerating the growth of businesses in the South; driving innovation particularly in natural capital, energy transition and creative and cultural capital; collaborating to drive sustained growth in international exports; providing leadership in realising the economic and social opportunities from meeting Scotland’s Net Zero targets; championing Fair Work; and advancing regionally focused work and supporting greater levels of regional empowerment.

In March 2023 we launched SOSE’s first Five-Year Plan, setting out our direction and priorities for the years ahead and associated performance measures.

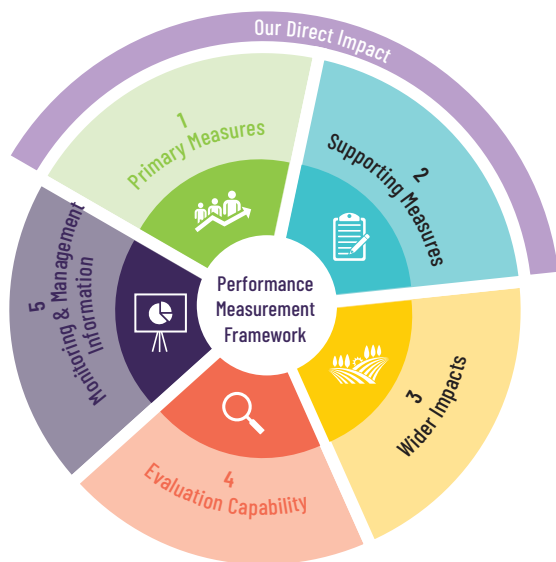
- We devised **Our ‘six As’** - the six priority areas where we need to affect change and where we can make a unique contribution.
- We are making headway across these areas. Being explicit has focused our efforts and resources on the areas where we need to have the greatest impact.
- There are synergies across and between all six priorities.
- In line with our Mission, partnership and collaboration is key to how we deliver these priorities. Our approach and role may differ for each priority and over the five-year lifetime of the plan.

Our ‘six As’



Performance Measurement Framework (PMF)

For 2023/24, we reflect our performance by focusing on the **Primary Measures** in our PMF. The PMF was approved by the SOSE Board in 2022/23, and new systems and processes have been developed. This enables SOSE to assess and monitor the effectiveness of our delivery and the impact our work has on the South of Scotland. 2023/24 is the key year whereby we set a baseline for data and have focused on capturing output against community and business projects approved for funding. No trend data is included due to this being the first year of the PMF. This will be built upon in 2024/25 and incorporate Supporting Measures and devise related targets.



Measures of our organisational performance and direct impact include:

Primary Measures align to our six areas of strategic focus – Our six As

Supporting Measures delve deeper into our six As and/or represent prioritised areas of performance and impact

Tracking **Wider Impacts**; regional-level economic, social, and environmental performance indicators

Evaluation capability, to enable in-depth evaluations of specific areas of work

Management Information and monitoring processes, to track projects are delivering as planned and ensure we are operating effectively

This section provides an overview of our 2023/24 performance in headline terms against our Primary Measures and ‘Our Six As’. Later sections provide greater detail and demonstrate the breadth of our efforts in response to each of our six priorities.

- SOSE can demonstrate significant output against our Primary Measures
- We supported the creation, safeguarding and/or transition of 1,706 full-time equivalent jobs
- The forecasted increase in gross additional turnover and profitability on approved projects totalled £208.4m and £61.5m respectively
- Our aims to support progress to Net Zero and Natural Capital solutions are evident in our investment and in being a strong voice for the South via representation on many influential regional and Scottish Government (SG) groups.
- 43 Enterprising Communities’ projects were supported
- 1,455 people engaged in entrepreneurship.

In 2023/24 we:



invested* **£13.7m** into **business and community enterprises**



invested* **£5.7m** in **48 strategic projects** to help transform our region



assisted **1,300 enterprises** through funding, programmes and tailored support and advice



responded to **914 client enquiries**



responded to **15 national consultations**



responded to **142 Scottish Government information requests**

*invested = spend recognised against 2023/24 budget

Primary Measures and impact

(Client-facing, approved funding)

| Primary Measure | Forecast Out-turn 23/24 | 24/25 Target Range |
|---|--------------------------|--------------------------|
| No. of people engaged in entrepreneurship | 1,455 | 1,400-1,500 |
| Women - Proportion of people engaged in entrepreneurship who are - Women | 478 | - |
| Proportion of people engaged in entrepreneurship who are - Young People | 805 | - |
| No. of clients that are innovating | 106 | 100-125 |
| Total capital value of projects supported by SOSE in the year | £38,717,864 | £38-42m |
| Gross Additional (GA) increase in client profitability | £61,486,776 | £61-70m |
| GA Increase in client turnover | £208,423,420 | £208-250m |
| Proportion of increase in client turnover from Community, Green and Inclusive enterprises | 32.2% | 32-40% |
| Community enterprises - Proportion of increase in client turnover | 0.9% | - |
| Green enterprises - Proportion of increase in client turnover | 17.3% | - |
| Inclusive enterprises - Proportion of Increase in client turnover | 19.5% | - |
| No. of new/improved income-generating community assets projects supported | 15 | 15-20 |
| Out-with Scotland - Total value of funding leveraged for the South | £19,178,476 | £19-25m |
| Out-with the South of Scotland - Total value of funding leveraged for the South | £21,853,140 | - |
| Value of inward investment opportunities secured | £6,681,497 | £7-10m |
| Value of investment in Net Zero opportunities | £40,798,089 | £40-50m |
| Estimated tonnes CO ₂ e emissions reduction supported | 4,632 tCO ₂ e | 5-10k tCO ₂ e |
| Value of investment in Natural Capital opportunities | £2,726,628 | £2.7-4m |
| No. of jobs supported (created, safeguarded, or transitioned) | 1,706 | 1,500-1,800 |
| | 377 created | - |
| | 1,316 safeguarded | - |
| | 13 transitioned | - |
| No. of clients that have increased their digital capabilities | 32 | 32-40 |

Other Approved Funding and Support in 2023/24 includes:

£9.2m
(165 projects;
152 clients)
approved with a
total project cost
of **£52.4M**

**Geographic spread
of investment:**
48.8% Dumfries
and Galloway;
51.2% Scottish
Borders

82.3%
Enterprise &
Business;
17.7%
Enterprising
Communities

24
(14.6%)
**project
approvals**
were over
£100k

**Average intervention
rate for approved projects**
(excl. internal funds) was
58.4%
(Business **48.8%**,
Communities **73.9%**)

Support and Client Interaction in 2023/24:

A vital area of our work and impact is non-funded, client interaction activity and support; difficult to measure but no less significant. Much is evidenced by everyday activity between our colleagues and 'people'. People can, and do, make the difference in economic transformation and in building sustainable businesses and communities, when given the right opportunities, information, and tools to succeed. Narrative and case studies throughout this report evidences our impact via funded and non-funded activity. This year, we assisted more than 1,300 enterprises through our funding, programmes, tailored support and advice.

Through our funding this year we supported 152 organisations with a diverse range of projects to deliver against our priorities. This table details the allocation of 2023/24 approved funding to support Project activity across our six As. (Please note breakdown is by main 'A' identified, many projects support more than one 'A').

| | | Approved Funding to Clients in 2023/24 | | | | | |
|---|-------------|--|----------------------|----------------|---------------------------|-------------------------|----------------------|
| Our Six As | Projects | Funding Approved | Total Project Costs | Total jobs | Turnover Gross Additional | Profit Gross Additional | Leveraged |
| Accelerating Net Zero and Nature-positive Solutions <ul style="list-style-type: none"> Leading a Just Transition to Net Zero and a nature-positive region Innovating for a clean energy transition and promoting nature-based solutions Establishing regenerative and resilient approaches to land and marine assets Leveraging the natural capital potential of the region | 29 17.6% | £3,754,456 41.0% | £34,450,421 65.7% | 1,243 72.9% | £74,562,395 35.8% | £30,349,209 49.3% | £14,560,218 75.9% |
| Advocating For Fair Work and Equality <ul style="list-style-type: none"> Championing Fair Work and security of work and pay Advancing opportunity and inclusion Supporting lifelong learning Strengthening the resilience and scope of the Third Sector | 1 1.2% | £40,000 0.4% | £50,000 0.1% | 4 0.2% | £1,608,000 0.8% | £387,990 0.6% | £10,000 0.10% |
| Activating & Empowering Enterprising Communities <ul style="list-style-type: none"> Boosting community capacity and confidence Supporting place focussed community-led regeneration and development Embedding Community Wealth Building principles Encouraging ambition and entrepreneurial thinking | 25 15.2% | £1,213,538 13.2% | £3,024,788 5.8% | 70 4.1% | £2,032,308 1.0% | £473,173 0.8% | £333,500 1.7% |
| Attracting Ambitious Investment <ul style="list-style-type: none"> Raising the regional profile Creating opportunity through ambitious and diverse investment Advocating for and supporting improvements to infrastructure Developing regional supply chains | 10 6.1% | £1,534,180 16.8% | £7,760,736 14.8% | 109 6.4% | £66,808,983 32.1% | £12,086,915 19.7% | £4,274,758 22.3% |
| Awakening Entrepreneurial Talent <ul style="list-style-type: none"> Inspiring and embedding entrepreneurial activity and enterprise ambition Promoting a culture of entrepreneurship Supporting the establishment of growth clusters Unlocking creative and cultural excellence | 56 33.8% | £408,434 4.5% | £1,262,196 2.4% | 26 1.5% | £7,450,908 3.6% | £4,794,264 7.8% | £0 0.0% |
| Advancing Innovation and Improving Productivity <ul style="list-style-type: none"> Promoting an understanding of and improvements to productivity Championing innovative ways of working and creativity Creating and enhancing conditions to collaborate and foster innovation Enabling digital advances and enterprise digitalisation Pioneering circular economic development | 43 26.1% | £2,208,448 24.1% | £5,887,739 11.2% | 254 14.9% | £55,960,826 26.7% | £13,395,225 21.8% | £0 0.0% |
| Total | 165 | £9,159,056 | £52,435,880 | 1,706 | £208,423,420 | £61,486,776 | £19,178,476 |

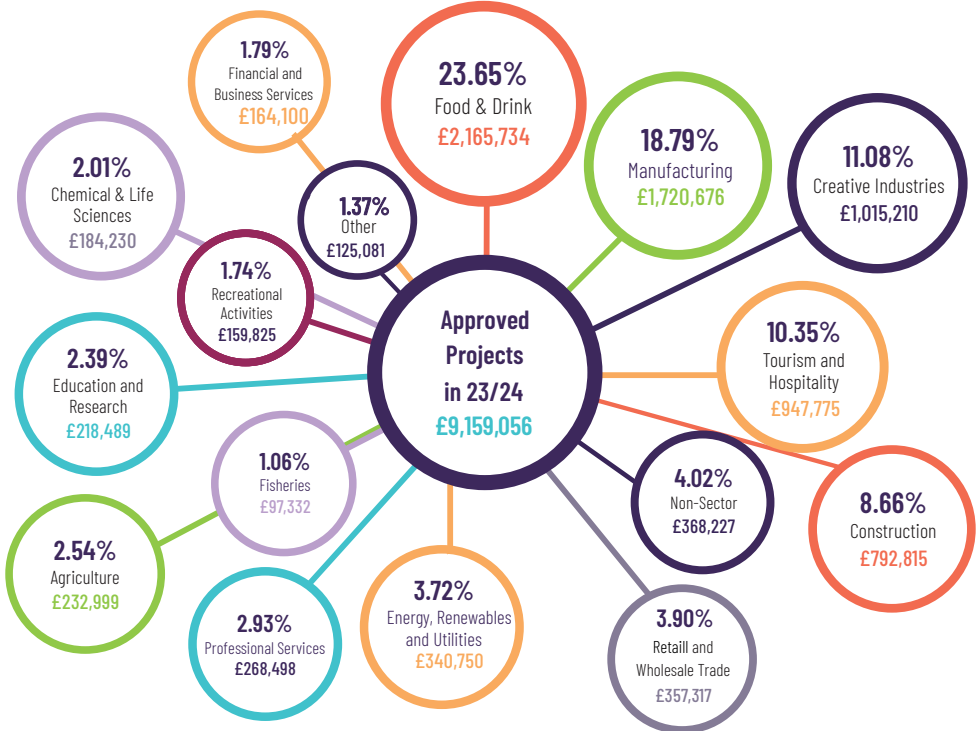
Jobs supported by Sector

The chart below is a breakdown of the 1706 number of jobs we supported by sector in 2023/24. Within these jobs there were 212 Green jobs and 38 apprentices.



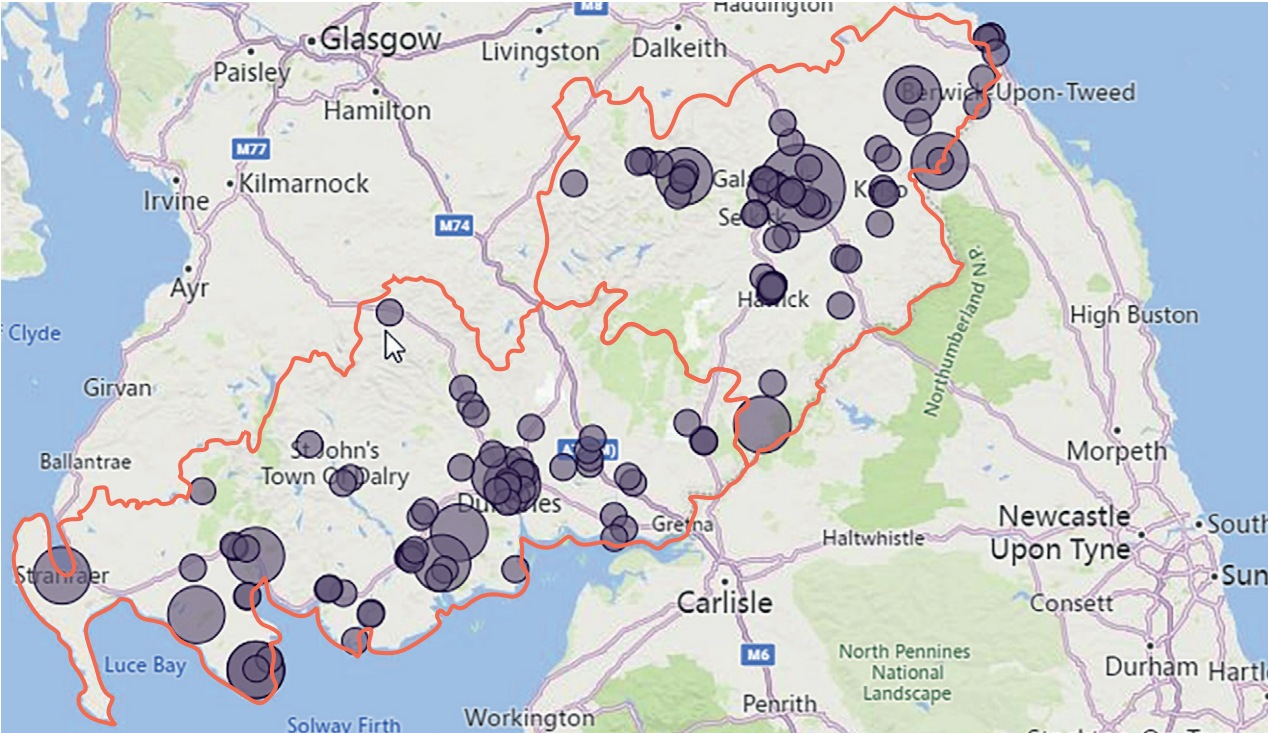
Funded projects by Sector

The chart below evidences our support approved in year to clients and projects across a breadth of key sectors to the South of Scotland.



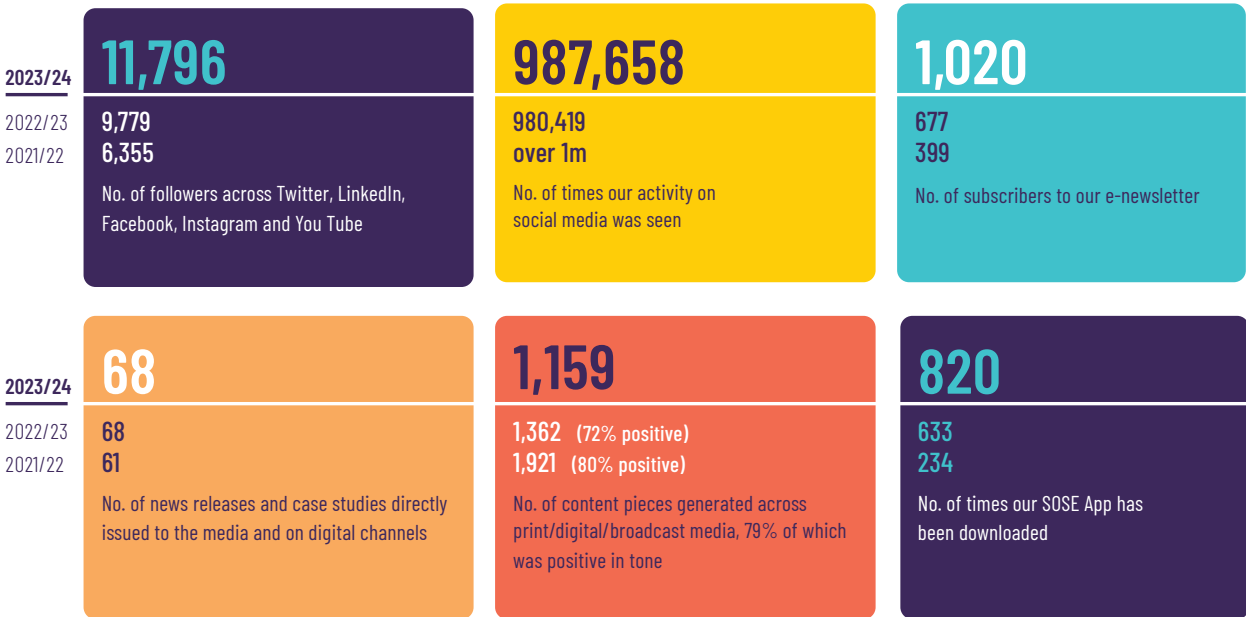
Geographic breakdown

The map below shows the wide geographical distribution of approved projects in 2023/24. Whilst the location pin indicates the main location of the project, its notable that our investment impacts right across the region.



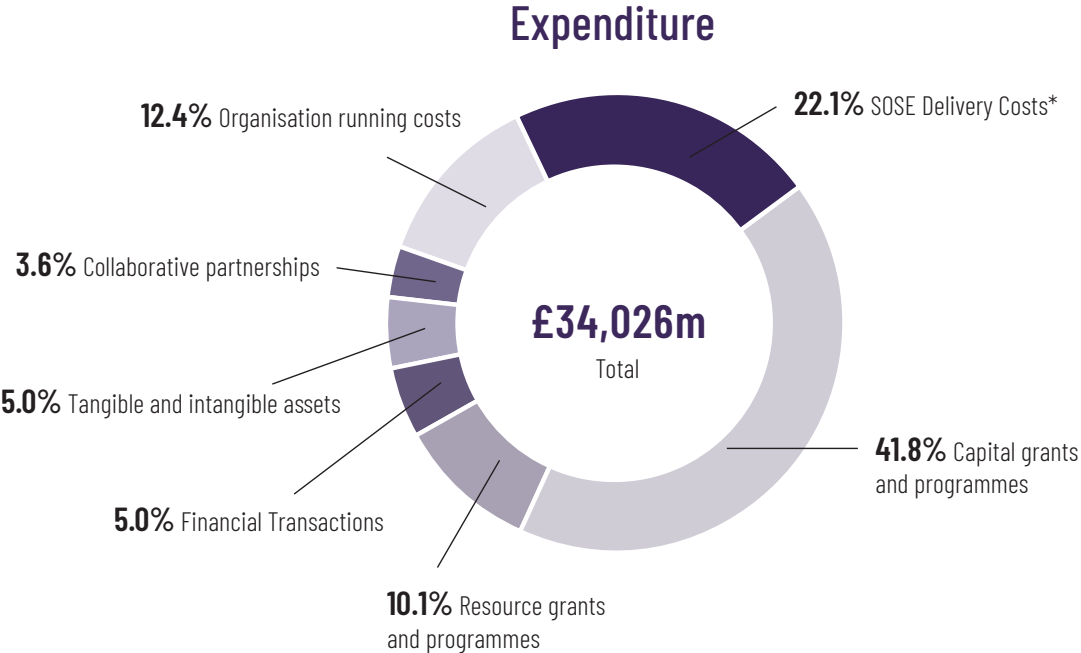
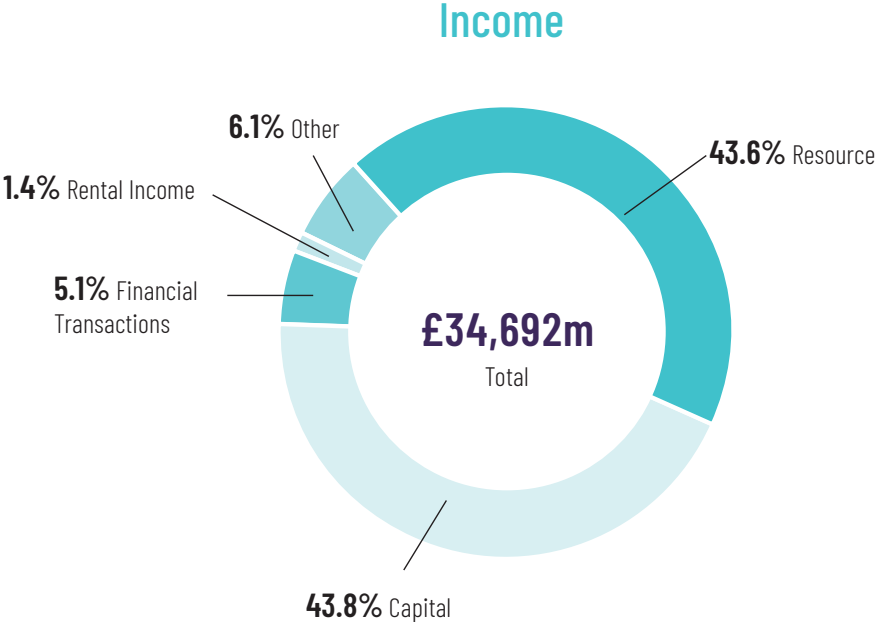
— Scottish Borders and Dumfries and Galloway border

Communications data



Summary of financial performance

The graphs below detail the income and expenditure, reconciling to cash funded outturn on the Outturn Summary, page 72. Income includes Grant in Aid from Scottish Government as well as other sources, these are detailed within Note 3 of the accounts, page 97.



*Note: SOSE Delivery Costs relate to the direct staff costs of delivering Our Six As - a full breakdown is shown in the funding table on the next page.

Funding

This table details investment funding recognised and accounted for during 2023/24 to support Clients, Projects and Strategic Activity across Our six As, as outlined in Segmental Information Note 2, page 95.

| Our Six A's | Funding to Clients, Projects and Strategic Activity | | | | |
|---|---|------------|------------------------|--------------------|--------------------|
| | Capital | Resource | Financial Transactions | Total | 6As Delivery Costs |
|  Accelerating Net Zero and Nature-positive Solutions <small>Including £353,653 of funding from the Green Jobs Fund**</small> | £3,147,413 | £847,842 | £321,325 | £4,316,580 | £1,259,641 |
|  Advocating For Fair Work and Equality | £32,000 | £87,218 | £0 | £119,218 | £462,571 |
|  Activating & Empowering Enterprising Communities <small>Including £137,874 of funding from the Green Jobs Fund**</small> | £1,373,623 | £550,587 | £0 | £1,924,210 | £1,087,871 |
|  Attracting Ambitious Investment <small>Including £59,056 of funding from the Green Jobs Fund**</small> | £3,084,330 | £1,572,765 | £382,000 | £5,039,095 | £436,580 |
|  Awakening Entrepreneurial Talent | £2,337,144 | £186,671 | £0 | £2,523,815 | £2,419,083 |
|  Advancing Innovation and Improving Productivity <small>Including £249,417 of funding from the Green Jobs Fund*</small> | £4,283,334 | £195,207 | £996,650 | £5,475,191 | £1,867,990 |
| Total | £14,257,844 | £3,440,290 | £1,699,975 | £19,398,109 | £7,533,736 |

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

The funding table captures the primary Six A relating to a specific project, a project may cross more than one Six A, this is particularly relevant to Advocating For Fair Work and Equality. While this will not be the primary Six A the delivery costs have been updated to reflect the work carried out in this area for each project.

Performance Analysis

Performance aligned with 'Our Six As'

Our climate and nature roles are enshrined in our founding legislation that sets out our aims to further the sustainable social and economic development of the South and to improve the region's amenity and environment.

We are using our influence and expertise to work with key partnerships to collectively help the region harness the full potential of our natural resources and develop a circular economy. In this way we can meet our decarbonisation targets while restoring nature, improving wellbeing, and creating new economic opportunities and working to address climate change targets and biodiversity goals.

In 2023/24 we further structured our Net Zero Directorate to include teams to focus and maximise opportunities in key areas for our region: Energy Transition, Natural Capital and Agriculture and Forestry.

Energy Transition

The transition to Net Zero in the South of Scotland has no firmer roots than in the production of renewable energy, with the region punching well above its weight regarding its renewable energy production – accounting for 9.6% and 7.4% of the UK's onshore wind and hydropower output, respectively.

2023/24 Key Activities:

- Produced the South of Scotland's first Net Zero Investment Guide
- Commissioned baseline research from an independent economic consultancy, BiGGAR Economics, on Community Benefit from Onshore Wind in the South of Scotland (this estimated current revenues of £4m per annum, reaching £13m by 2033 and, assumptions regarding a future pipeline of 2.8GW of net additional capacity could total £897m for communities by 2058)
- Invested in national initiatives in Heatsource cluster/network, European Clean Energy Transition Partnership and Clean Heat Expert Support
- Hosted our second Hydrogen Brokerage event - high calibre speakers and 80 delegates: one pursuing proposed UK Hydrogen Business Model funding bid for a green hydrogen production facility in Dumfries and Galloway and an inward investor proposing to establish manufacturing technology to utilise hydrogen to aid decarbonisation of HGVs.

Nature-positive Solutions

The region's natural assets are unequalled and provide significant and varied opportunities for nature-based solutions to deliver carbon sequestration, biodiversity enhancement, regenerative agriculture and innovative land management and marine projects. Maximising opportunities will help build more resilient communities and economies whilst allowing nature to thrive.

1.

Accelerating Net Zero and Nature-positive Solutions



Our aims to support progress to Net Zero and Natural Capital solutions are evident in our investment and in being a strong voice for the South via representation on influential regional and Scottish Government groups including: Member of the Scottish Offshore Wind Energy Council; Expert Advisory Panel on Wholesale Electricity Market Reform; Lead for the Onshore Wind Strategic Leadership Group; Hydrogen Programme Board - establishing 14 regional hydrogen hubs across Scotland, two secured for our region.

2023/24 Key Activities:

- Commissioned a report to explore opportunities for Community Wealth Building from new woodland creation with Scottish Forestry - developed a proposal for innovative forestry and woodland creation, presented to the Convention of the South of Scotland in February 2024
- Through CivTech, we invested and supported an innovative company, Rethink Carbon, creating a tool to aid communities/land managers to assess opportunities to address biodiversity and climate change - launched March 2024
- Explored innovative finance models for responsible investment in natural capital such as the Wild Heart Expansion Project (WHEP) - a pioneering public and private backed project which promotes a collaborative approach to land use, through expanding native woodland whilst delivering a range of community and financial benefits
- Supported the Crichton Carbon Centre to construct the first Flux Tower in the South; technology used to monitor carbon dioxide and methane emissions from peatlands, adding to the effective land management decision-making toolbox
- A new Head of Agriculture and Forestry Transition established key partnerships, including with Scotland's Rural College (SRUC) in delivering support for agriculture in the region via the development of regenerative agriculture. Pilot projects with partners, such as Quality Meat Scotland and Scottish Agricultural Organisation Society is driving support in this area of our rural economy with a focus on developing net zero transition plans; adopting more resilient farming systems; the value of farm level data and understanding the potential for investment into regenerative agriculture in the region.

Net Zero Accelerator Fund (NZAF)

This new £1m internal fund was created to accelerate the South of Scotland's rate of delivery against national, net zero and nature solutions targets. It supported 17 projects in 2023/24.

An NZAF project example is the Cairndale Hotel, Dumfries who were awarded £24k to support the installation of a centralised heating control system. This allows 116 radiators across 94 rooms to be individually controlled and integrated into hotel management software, which is estimated to reduce gas usage each year by up to 20%: saving over 58tCO₂e, and £16k in energy costs annually.

Primary Measures evidencing impact of Accelerating Net Zero and Natural Capital Solutions in 23/24:



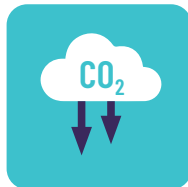
£40.8m

was invested in **Net Zero** opportunities



£2.7m

was invested in **Natural Capital** opportunities



4,632 tCO₂e

estimated **tCO₂e** emissions reduction supported



Gold Carbon Literate Organisation

SOSE was accredited as a Gold Carbon Literate Organisation by the UN-recognised Carbon Literacy Project in March 2024. This prestigious accreditation recognises our commitment to upskill our people to play a proactive role in reducing our organisational carbon emissions, and work towards a zero-carbon future.

Carbon Literacy is defined as: "An awareness of the carbon dioxide costs and impacts of everyday activities, and the ability and motivation to reduce emissions, on an individual, community and organisational basis, and revolves around a day's worth of learning and action on climate change."



Nature-positive Solutions

2023/24 was significant for Natural Capital. Following the presentation of a paper at the Convention of the SoS in September 2023, we were recognised by Scottish Government as the national **Natural Capital Innovation Zone**. This acknowledges our focus on pioneering innovative methods of land and marine management, accelerating responsible investment across the region, and building and strengthening partnerships with the public, private and third sector organisations.



CASE STUDY

Hutton Stone Swinton, Scottish Borders

In 2023/24 we launched our new £1m Net Zero Accelerator Fund (NZAF). This funding was to drive forward innovative projects and accelerate the region's Net Zero journey.

The Fund supports our aim of becoming the **first Net Zero region in the UK**, with **the South** already having been named **Scotland's Natural Capital Innovation Zone**.

In February 2024, First Minister Humza Yousaf visited one of the businesses - stone masons and merchants Hutton Stone, near Swinton in the Scottish Borders to mark the allocation from the fund.

The company was approved for £300k to support the purchase of production equipment that will enable the business to offer a new product which will **help increase its productivity by up to 75%**. This equipment will provide an **estimated carbon emission saving of over 50%** compared with conventional production and **reduce the amount of fuel consumed** from drilling stone blocks by up to 30%, helping to futureproof the company.

The company was founded in 1994 and having started with one employee, now have a staff roll of 44.

Hutton Stone's innovative project was supported by a CivTech Challenge co-sponsored by SOSE and Zero Waste Scotland, which saw tech start-up Looper create a technology-based solution to help local organisations make informed decisions around potential use and re-use of its resources in new ways.

FIND OUT MORE

www.southofscotlandenterprise.com/news/netzeroacceleratorfund



Ensuring that everyone benefits from opportunity and investment in the region and that no one is left behind, is central to the vision at the heart of the South of Scotland Regional Economic Strategy. Supporting the economic and social development of all parts of our region – including for those places and groups where there is inequality of opportunity and higher deprivation – is core to our founding aims.

2. Advocating for Fair Work and Equality

We are committed to advocating for the implementation of fair working practices. In 2023/24 all our clients committed to advancing internal fair working practices, recognising that successful implementation and development are vital in supporting people and organisations to flourish and a key element in achieving a high value, inclusive economy.

In 2023/24, activity focused on the roll-out of the Scottish Government's updated Fair Work First policy. From July 2023, all grant funding recipients are required to pay a minimum of the real Living Wage and to ensure the provision of effective channels for employee voice. As a direct result:

- over 200 workers in the South of Scotland have received a pay increase and
- around 450 workers have been uplifted as an indirect result of SOSE's interactions
- our appraisers have been up-skilled to provide day-to-day support in all elements of the Fair Work agenda, and in-depth support is available on a case-by-case basis.

We are an active supporter of the Living Wage Movement and the creation of Living Wage Places in the region. We positively impact accreditations including our Fair Work and Equalities Lead chairing the Borders Living Wage Action Group. There were 29 new accreditations in the Scottish Borders and Dumfries and Galloway in 2023/24; these employers collectively employ 563 staff. There are now 120 accredited employers across the South, with employers having uplifted 2,350 staff to the real Living Wage.

Inclusion, Diversity and Equality

By taking positive steps to promote equality and diversity, we help create a more innovative, competitive, and prosperous economy, and strive for the benefits of economic growth being shared by all.

2023/24 Key Activities:

- Created a Youth Advisory Forum
- Provided one-to-one support to 62 female and 24 youth-led businesses
- Designed a specific fund to aid female and youth-led businesses with start-up costs and advocating for equal pay and fair employment practices
- Published our first Equality Mainstreaming Report and defined SOSE's Equality Outcomes, in-line with the aims of our Corporate Strategy, the Regional Economic Strategy and the Scottish Government's National Strategy for Economic Transformation
- SOSE has been awarded Level 2 Disability Confident Employer status and continues to ensure our team develop their understanding of equality and inclusion via a comprehensive series of lived experience training.

Primary Measures evidencing impact of Advocating for Fair Work and Equalities

In 23/24:



1,706 total number of **jobs supported***



377 new jobs **created**



1,316 jobs **safeguarded**



13 jobs **transitioned**

*between 1 Jul 23-31 Mar 24 we made 4 exceptions to the real Living Wage condition, amounting to 32 individuals in total - all of whom were apprentices and/or aged under 18, against actual-funded projects

Our People and Culture Development

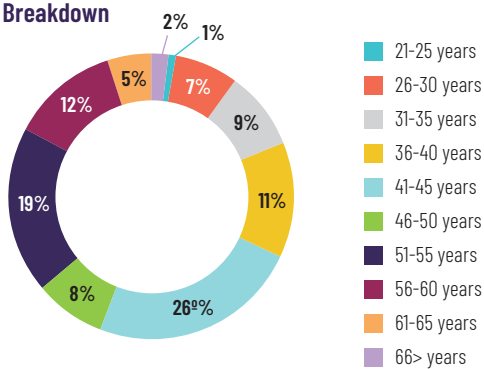
As an employer, SOSE embraces the opportunities and benefits of creating a diverse workforce. Recruitment and talent development processes are designed around equality best practice and our policies allow for flexibility and individual tailoring to suit differing needs and circumstances.

Our People and Culture strategy is delivered through six key strategic pillars: culture, leadership, employee engagement, learning and development, well-being, and ways of working. We aim to foster a culture of inclusivity, collaboration, and continuous improvement that enables us to attract, retain, and develop colleagues to achieve our strategic objectives.

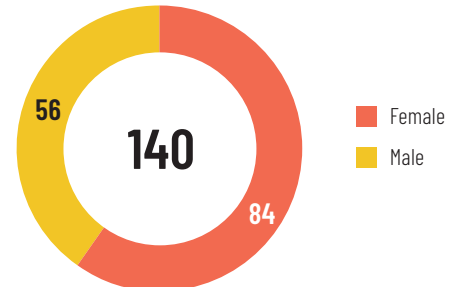
Our employee base (as of 31 March 2024):

With a headcount of 140 or 136.8 FTE our employees have almost 400 years combined experience working at SOSE:

Age Breakdown



Gender Split



Training and Development:

Strengthening our people and leadership skills is a driving force in becoming increasingly bold, inspiring and developing our ability to make challenging decisions. In 2023/24, we dedicated resources into cultivating a culture where our leaders embody the values we aspire to and lead by example.



57 (41%) employees attended a four-day **leadership development programme**



67 (48%) employees attended a one-day workshop on **working sustainably**



70 employees attended **courses** via the **flexible workforce development fund**



£774 average **training spend** per employee



CASE STUDY

Rowan Glen Painure near Newton Stewart

“At Rowan Glen we recognise that our dedicated team are central to everything that we do and the overall success of the business. It is therefore important to us to recognise their value by paying a fair wage and ensuring they can achieve a work/life balance. We are delighted to receive the Living Hours and Living Wage accreditations in recognition of our commitment to our team. Our goal is to ensure that Rowan Glen is “more than just a workplace.”

Alan Baxter, Director of Rowan Glen

Our region is its people – our vibrant, resilient, and enterprising communities. By empowering, connecting, and building even more enterprise ambition in those communities we can, in partnership, help our region to flourish – a key ambition at the heart of the vision in the South of Scotland Regional Economic Strategy.

We are committed to working with organisations across the South of Scotland (SoS) who wish to drive social, economic, and environmental change, develop new services and markets, and become more sustainable and resilient with an emphasis on unlocking potential and long-term ambitions. Delivery and support are via three key areas:

1. Boosted Community Capacity & Confidence

Development support included helping clients to shape ideas, strengthen vision, strategy, and to build organisation's capacity to act with investment at the right time. This is via advice, signposting specialist, and expert help, and linking with local and/or national partners – helping to scale up projects and connecting to available grants and loans. We offer this to organisations in crisis and those looking to develop.

2. Supported Community-led Regeneration & Enterprise Development

Supported a Place Approach, we met with Local Authorities and Third Sector Interface partners within the region, attending locality hubs and place planning partnerships. We continued to strengthen our partnership approach in 2023/24 with a range of joint workshops and taking a collaborative review of enhanced and more joined-up approaches to delivering localised and community support, at a strategic and operational level.

3. Encouraged Ambition and Entrepreneurial Thinking

Increased opportunities for networking, sharing good practice with peers, developing awareness, and stimulating interest in new market opportunities. Our new internal Community Ambition Fund was introduced to unlock potential of ambitious communities delivering projects with a strong 'Place' focus; community and partnership engagement, testing of innovative ideas and/or leading to long term sustainability and inclusive growth ambitions. In 2023/24, an £0.5m pilot was approved. Projects included: The Hub Innerleithen CIC; Newcastleton & District Development Trust; Galashiels Development Trust; Nith Valley Leaf Trust; Stranraer Development Trust and Langholm Initiative/Tarras Valley Ltd.

3.

Activating & Empowering Enterprising Communities



We worked together to support the **Borderlands Place Programme** and enterprising activity in communities across the South, on the strategic distribution of the UK Shared Prosperity Funds, UK Levelling-Up Funds, and distribution of Community-led Local Development funds as part of the Local Action Groups.



Borderlands Energy Masterplan

The Borderlands Partnership, a partnership of local authorities and stakeholders, brings together five cross-border local authorities of Carlisle, Cumbria, Dumfries and Galloway, Northumberland, and Scottish Borders to promote the economic growth of the area. The partnership has contracted a consortium to develop an energy strategy for the region. This has the potential to support projects across the Borderlands area; £29.9m available for demonstrator projects with the aim to double this via leverage, c.£14m is available for SoS local authorities. This offers opportunities for projects supporting heat/transport decarbonisation, or off gas grid communities to become energy self-sufficient via a whole-system approach. Continued investment in onshore/offshore wind, energy networks, solar generation and battery storage should add significant benefits to support communities' ambitions. Research commissioned estimates c.£897m in cumulative community benefit payments from onshore wind projects alone may accrue to SoS communities by 2058.

South of Scotland Cycling Partnership Strategy:

2023 was a year like no other. SoS hosted the 2023 UCI Cycling World Championships in Dumfries and Tweed Valley, and it celebrated Kirkpatrick Macmillan's pivotal role as the creator of the world's first pedal-driven bicycle. The event has undoubtedly had a profound impact on the morale and unity of our communities. There was a sense of pride and excitement as businesses, residents, volunteers, and visitors all came together. Hosting the World Championships in our region will have far reaching impact, ranging from economic growth and infrastructure development to cultural exchange, environmental sustainability, and increased participation from the disability community.

Tourism Infrastructure:

In 2023 South of Scotland Destination Alliance officially launched Scotland's newest and longest on road cycling touring route and unveiled the name as Kirkpatrick C2C, South of Scotland's Coast to Coast, the creation of which was funded by SOSE. The exciting new 250 mile on-road cycle route covering the length of the South of Scotland was digitally launched in 2023. The Kirkpatrick C2C, South of Scotland's Coast to Coast runs from Stranraer to Eyemouth, making it one of the longest in the UK and a new challenge for experienced cyclists. Walking and cycling routes can deliver significant economic, environmental and community benefits, and early projections are that the new South of Scotland Coast to Coast route could attract up to 175,000 new visitors to the region, with a direct spend of £13.7million per year.

Tourism Strategy:

SOSE co-developed the ten-year South of Scotland Responsible Tourism Strategy in collaboration with partners across the region. This was launched in March 2024. The strategy aims to grow tourism spend in the region by £1bn and to support a further 6,000 jobs in the sector by 2034. The strategy emphasises the appeal of the South of Scotland as an unmissable "go to" rather than a "go through" destination.

Support for Enterprising Communities

The primary measures that evidence the impact of Activating and Empowering Communities in 23/24 are:



15 new or improved income-generating community assets supported



43 projects: **34** community enterprises; **9** Charity



Total **Project Costs** **£3.7m** against approved projects



SOSE funding: **Capital and FT: £1.4m** **Revenue: £0.2m**



Jobs: **16** created; **55** safeguarded. **16** apprenticeships and **25** categorised as **Green** jobs.



Photo : © Pete Robinson
Stranraer Oyster Festival



CASE STUDY

Stranraer Oyster Festival 2023

We approved £95k support for the long-term sustainability of Stranraer Oyster Festival 2023, which received record breaking attendance and generated an **additional £2.3million for the local economy** according to an independent economic impact report.

The study, which was carried out by MKA Economics, also noted that this level of visitor spend should help **to safeguard 32 tourism related local jobs**.

The three-day festival took place in September, the start of the UK's native oyster season, **attracting more than 21,000 people** to the scenic harbour town on the shore of Loch Ryan, home to Scotland's last remaining wild, native oyster fishery.

Jane Morrison-Ross, Chief Executive of SOSE, said: "The festival highlights the success of, and future potential of Stranraer, with a number of other exciting projects in development. SOSE is absolutely committed to working with partners to continue to support the regeneration of the town."

FIND OUT MORE

www.southofscotlandenterprise.com/news/stranraeroysterfest

The South of Scotland (SoS) is already transforming through continued investment in our people and places. Investment from the Borderlands Inclusive Growth Deal and Edinburgh and South East Scotland City Region Deal are paving the way for new jobs, improved prospects, better connected places, and more engaged people. We are committed to supporting Dumfries and Galloway and Scottish Borders Councils to deliver and maximise the benefits to the South from these Deals, and we are actively involved in shaping and leading on key projects as directed.

4. Attracting Ambitious Investment

Inward Investment

2023/24 saw the launch of the website www.investinsouthofscotland.com, where we led on both the content and design, engaged with, and gained agreement from local and national partners. The proactive focus aims to attract businesses to our region within the sectors: Energy Transition and Natural Capital; Food and Drink Innovation and Regenerative Agriculture; Health Innovation; Cycling and Creative Economy. A high-quality Inward Investment video was produced and shared with SDI and contacts globally. We continue to work with enquiries seeking to find suitable sites for businesses to set up in the South.

In 2023/24 over £1.5m in capital grants and loans were approved to Inward Investor projects, including: Martin Williams Ltd (£550k), Electro Mech Agri Ltd (£132k), Plexus (£125k) and Meducan Ltd (£140k). Non-funded supported activity included the Utility Warehouse (Telecom Plus) project via property support and a lease at Ettrick Riverside, Selkirk.

2024/25 will see further promotion including a Chapelcross video. Other sites in the area will be targeted by SDI and worked through in partnership. We will identify opportunities for investment in land that will ease the process in increasing Inward Investment businesses. Through Client Engagement processes we will strengthen relationships and deliver strong after care to the Inward Investment businesses that have already landed in the area and encourage further investment in the region.

Employment Land

Our property and land portfolio is core to the work we do. Through effective management of existing business accommodation and industrial infrastructure provision, and via future investment decisions, both directly and through partnership, we can support the delivery of the full range of NSET objectives in the region.

Our five-year Property Investment Strategy guides the management of our property and ensures we use property assets to harness the region's potential whilst supporting a just transition to Net Zero. In 2023/24 good progress has been made against the commitments within the Property Investment Strategy: both in delivery of enhancements to our own portfolio and through strategic partnership projects. Key highlights include:



- **Chapelcross Energy Transition Zone** - We purchased a 6.5-hectare section of land beside Chapelcross; surveys and assessments completed, and utility connection progressed. Working with partners, we will create serviced plots on the land, with the aim of generating jobs and economic activity in the shorter term. This development supports Chapelcross' overall Programme aim of building a new economy, based on green energy production
- **Borders Innovation Park** - We awarded a £3m capital grant over three years to Scottish Borders Council to unlock the Edinburgh and South East Scotland City Region Deal investment, in Borders Innovation Park on the Lowood Estate, Tweedbank. As the most strategically important employment land site in the Scottish Borders this project will ensure enterprises across the region can fully engage in data-driven innovation opportunities to ensure maximum impact from the innovation investment, including industrial and business premises
- **Dairy Nexus** - We awarded £739k capital funding to Scotland's Rural College (SRUC) to unlock £8m investment by Scottish and UK Governments through the Borderlands Inclusive Growth Deal. Dairy Nexus involves the creation of a co-innovation hub with modern knowledge exchange facilities, co-working spaces and a biorefinery for R&D, seeking to create new value streams for dairy farming
- **Identifying priority industrial sites for partner interventions** - We worked in partnership with Scottish Borders and Dumfries and Galloway Councils to identify key sites across the SoS suitable for future employment land development.

This workstream is aiming to ensure that overall, there is more employment land immediately available to support local company growth and meet inward investment needs

- **Scottish Development International (SDI)** - We worked closely with Scotland's trade and inward investment agency and provide bespoke one-to-one property and location identification support to enterprises looking to locate or expand in region. We are actively involved in 16 inward investment projects; in some cases we are helping to satisfy large scale property requirements through introducing and/or negotiating off-market property deals.

Primary Measures evidencing impact of Attracting Ambitious Investment

In 23/24:



£19.2m total value of funding leveraged for the South



£6.7m value of inward investment



£208.4m Gross Additional increase in client turnover



£67.2m increase in proportion of turnover from Green, Inclusive and Community enterprises



Net Zero within Attracting ambitious investment

Energy has potential to be the single largest source of capital investment in the region in the next decade and beyond. Given the anticipated 2.8GW or more of onshore wind projects yet to be built in the South of Scotland, this alone may generate circa £6.5Bn in GVA or circa 3,965 jobs across Scotland. We will strive to maximise that flow into the SoS. Further opportunities, including hydrogen and retrofit for heat will also be key.



CASE STUDY

New website showcases the South of Scotland as the perfect place to do business

We officially launched a new website www.investinsouthofscotland.com in March 2024, to showcase the benefits of doing business in the South of Scotland in a bid to attract more inward investment to the region.

For the first time, the website aims to ensure anyone with an interest in locating or expanding their business in the South of Scotland can access clear information and get in touch with the local team.

The website supports the ongoing collaborative work of the **Regional Economic Partnership (REP)** to deliver their vision in the Regional Economic Strategy (RES) for a 'Fairer Greener and Flourishing South of Scotland'.

The site includes an interactive map highlighting the South's ideal location at the heart of the UK, as well as key statistics on the region. Opportunities for investment are also included as well as a range of inspirational case studies with businesses who operate across the South.



Awakening entrepreneurial talent is a priority in both the South of Scotland Regional Economic Strategy and National Strategy for Economic Transformation. New and growing enterprises can create fair and rewarding work opportunities and help us to retain and attract talent. Entrepreneurial ambition in the Third Sector can also stimulate new and enhanced services and opportunities for our people and communities to flourish.

5. Awakening Entrepreneurial Talent

We want to promote and celebrate entrepreneurial talent across our region. We know that in the South we create fewer new/start-up enterprises than in Scotland as a whole. But our start-ups have better three-year survival rates, higher than the Scottish average and we are comparatively more reliant on self-employment, highlighting our enterprising spirit.

We work with internal and external partners to create and support a culture in the South of Scotland where anyone can be an entrepreneur, driving an inclusive and joined up entrepreneurial journey to support innovators. This includes:

- Focus on Individual - work with entrepreneurs and innovators to understand what is required and get buy-in
- Focus on Women Enterprise and Young People to drive inclusive/pathways support - via coaching, training programmes, creating opportunities and strong networks
- Create a self-sustaining eco-system whereby partners, stakeholders, entrepreneurs, and innovators own the system and use their expertise and experience to help others
- Create joined up pathways of support - working with partners and stakeholders to have a shared vision, delivery in the region/locally along with a variety of expertise, nationally and internationally
- Attract investment to the region by developing a pipeline of investable businesses
- Become the 'go to' for innovators and entrepreneurs by engaging stakeholder and partners
- Explore new market opportunities in Space, Tech, Net Zero, Creative Industries and Agriculture.

2023/24 Key Activities

- Soft launch of Entrepreneurial Roadmap with Mark Logan, Scotland's Chief Entrepreneur
- Secured £123k funding to deliver enterprising activity in Hawick Business Centre
- Continued one-to-one Youth Led Coaching to 24 young people
- Launched pilot: Real Models campaign
- Worked with SRUC and Borders College to deliver a series of TechScaler workshops
- Developed a strategic partnership with SRUC to drive innovation and entrepreneurship
- Worked with Codebase to delivery TechScaler in the region
- Engaged 'Developing the Young Workforce' across the South in Careers sessions
- Delivered series of Women's enterprise sessions, coaching, leadership, and networking
- Created a Women and Young People Enterprise Scheme - £24k funding pot to 25 businesses

The Primary Measure evidencing impact of **Awakening Entrepreneurial Talent** is the number of people engaged in entrepreneurship and the proportion of people engaged in entrepreneurship who are Women and Young People.
In 23/24:



61 Start-up workshops delivered by Business Gateway, Scottish Borders



478 Women; 805 Young People



1,455 people



Net Zero

We have the ambition to help unlock entrepreneurial talent in new and existing Net Zero businesses and for them to seize opportunities. Our supply chains across heat retrofit and heat networks, onshore and offshore wind, and hydrogen are currently non-existent (heat networks), at best emerging (hydrogen), dormant (engineering for wind supply chains) or ill-prepared for the scale of opportunities to come (retrofit/renewable heat). We are striving to maximise these opportunities for the benefit of the communities and businesses within the region and nationally.



CASE STUDY

Siobhan Wilson, Singer/Songwriter and Composer Coldstream, Scottish Borders

We have been working with Coldstream based, singer songwriter Siobhan Wilson providing business support and advice, to help her continue working from Coldstream whilst building up an international reputation.

Prior to lockdown, Siobhan was one of the country's rising music stars, having released several acclaimed albums and toured with the likes of Suzanne Vega and The Proclaimers.

Without any opportunities to perform or earn an income during the pandemic, she focused on learning sound engineering and cinematic composing at home for film and video games.

A move from Glasgow to the Scottish Borders allowed her to build up a home studio and use the countryside for inspiration.

Siobhan's orchestrations began to attract interest, with Los Angeles-based television, film and games composer Takeshi Furukawa inviting her to contribute an original song for his project, Planet of Lana.

Her song, **Horizons**, was shortlisted for Best original song at the prestigious Game Audio Network Guild (GANG) awards in San Francisco which took place in March.

Siobhan flew the flag for the South of Scotland at the international gaming Oscars.



Establishing the South as a place that embraces innovation, efficiency and circular economy approaches is central to our vision. Whether small or large, changes and improvements to how the region's enterprises operate can help them become more resilient, grow, expand, and excel. Data indicates that the South of Scotland (SoS) underperforms in comparison to other regions.

As a region, the South is well placed to be a test bed for innovation and advances across businesses and the Third Sector. Our role in supporting initiatives such as the Scottish 5G Centre Rural Test Bed and a planned regional Techscaler hub is enabling more of our enterprises to embrace and take advantage of the benefits of the digital revolution. We must also champion an innovative circular economy as an integral part of our regional economy and our climate and nature transition, embedding and enhancing circular approaches that can grow and strengthen regional supply chains, working closely with organisations like Zero Waste Scotland to do so.

Support for Business

The Enterprise and Business team was formed in April 2023 comprising Business Advisers and Specialists with the focus on delivering a support service to all existing businesses in the South. In 2023/24 the team managed over 400 enquiries: from general business advice, structuring finance deals to funding applications.

As first point of contact we can direct access to a wide range of public and private sector partners. In addition the team provides direct support for business in areas such as: Access to finance from SOSE or other sources; Provision of Expert Help support on a wide range of business subjects; Support to potential Inward Investment businesses; Implementing innovative manufacturing methods such as robotics; Working with national partners to find opportunities to increase exporting.

Our aims for the development and sustainability of the economy in the South of Scotland specifically includes supporting businesses: on their journey to Net Zero - particularly reducing carbon and energy production in business operations and supply chains; address opportunities/challenges to maximise business productivity; improve business profitability and highlight ways to reduce costs and improve sales; drive innovation; encourage exporting for the first time or to increase exports to a particular country and explore other potential markets; encourage business to look at the wider elements of Place in their operations and address areas of Fair Work.

2023/24 funding of £7.5m supported 115 businesses with a wide range of projects to deliver innovation and new product development, business expansion, efficiency, and productivity improvements.



6. Advancing Innovation and Improving Productivity

Primary Measures evidencing impact of Advancing innovation and improving productivity

In 23/24:



106 clients supported to innovate



£38.7m of total project capital investment



32 clients that have increased their digital capabilities



£61.5m increase in Gross Additional client profitability

Mountain Bike Innovation Centre

Together with the proposed Tweed Valley Bike Park and Trail Lab near Innerleithen, the Mountain Bike Innovation Centre is a key development and funded as part of the Borderlands Inclusive Growth Deal. The UK Government is investing £19m to the project and the Innovation Centre is predicted to contribute £141m in Gross Value Added (GVA) and create over 400 jobs in the South of Scotland over ten years. The overall project is being delivered by SOSE, alongside partners Edinburgh Napier University and Scottish Borders Council. The Innovation Centre will allow Scottish, UK and international companies to develop innovative products and services, and potentially train and test athletes within the mountain biking and cycling sector. It will also offer a place for businesses to showcase their products in the heart of the UK leading mountain bike destination. Renovation of the listed Caerlee Mill for commercial use will additionally help preserve an important building for the local community and for Scotland's industrial heritage. 2023/24 was key in the life of this project with Planning Permission for the building being secured and early works commencing on site with £1.1m released.

Cycling Infrastructure Fund:

Our new £350k internal fund launched in 2023 to support our region's aim of becoming a world-leading cycling destination. Capital grants of up to £25k were available to support tourism businesses, social enterprises and community groups who own visitor-facing assets. Approved funding in 2023/24 has supported 24 clients, with the aim to improve facilities for visiting cyclists taking part in the Kirkpatrick C2C, (South of Scotland's Coast to Coast cycling route) or riding the 7Stanes trail centres - adding significant value to the regional identity as a fantastic cycle holiday destination.

Digital

The focus in 2023/24 was to support businesses and enterprising communities realise digital opportunities and to deliver against our Digital Strategy's three strands: Connectivity, Access, and Skills; Digital Transformation and Maturity; Innovation and Leadership. Significant direct digital support for organisations has been delivered.

2023/24 Key Activities:

- tailored one-to-one support from our Digital Development Specialist to 60 businesses
- Expert Help: 5 clients received digital-specific expert assistance from a network of external consultants
- 14 Digital-themed presentations, workshops, and events, delivered
- Upskilling of SOSE Business Advisors to increase awareness and practical understanding of key digital technologies such as Artificial Intelligence and Cyber Security
- Creating conditions needed for an innovative and entrepreneurial SoS, which organically supports higher levels of digital maturity and innovation and building and maintaining key stakeholder relationships within the entrepreneurial ecosystem, including public sector, Tech Accelerators (public and private), and entrepreneurial businesses
- 25 businesses received up to £5k funding from our Createch fund: aimed at those building innovative tech solutions.



CivTech Challenges

An innovative digital tool to support our communities develop new active travel networks in their areas is being developed by Sweco, as part of a SOSE CivTech Challenge project. We set Sweco the challenge to use technology to unlock the power of the bike to stimulate demand for cycling infrastructure and support South of Scotland communities.



CASE STUDY

British Wool Selkirk

The British Wool Borders building in Selkirk was officially opened by sheep farmer Cammy Wilson of YouTube's 'The Sheep Game' in August 2023.

The new £2.3million depot strengthens British Wool's commitment to sheep farmers in Scotland and Northern England providing better access for members to deliver fleeces and helping the organisation improve efficiencies in the grading and processing of wool. It replaces its previous base in Galashiels which was split across two sites. SOSE provided £250,000 towards the project as well as guidance on how to make further savings in set up costs.

Andrew Hogley, CEO of British Wool said: "The new site will improve our efficiencies and future proof our operations in this region, helping us towards our overarching aim of delivering the best possible wool price for our members. The facilities here will also allow us to host visits from farmers and to develop a showroom to promote Scottish wool products to buyers – and potential buyers – of British wool."

FIND OUT MORE:

www.southofscotlandenterprise.com/news/britishwoolseirk

Delivering in Partnership

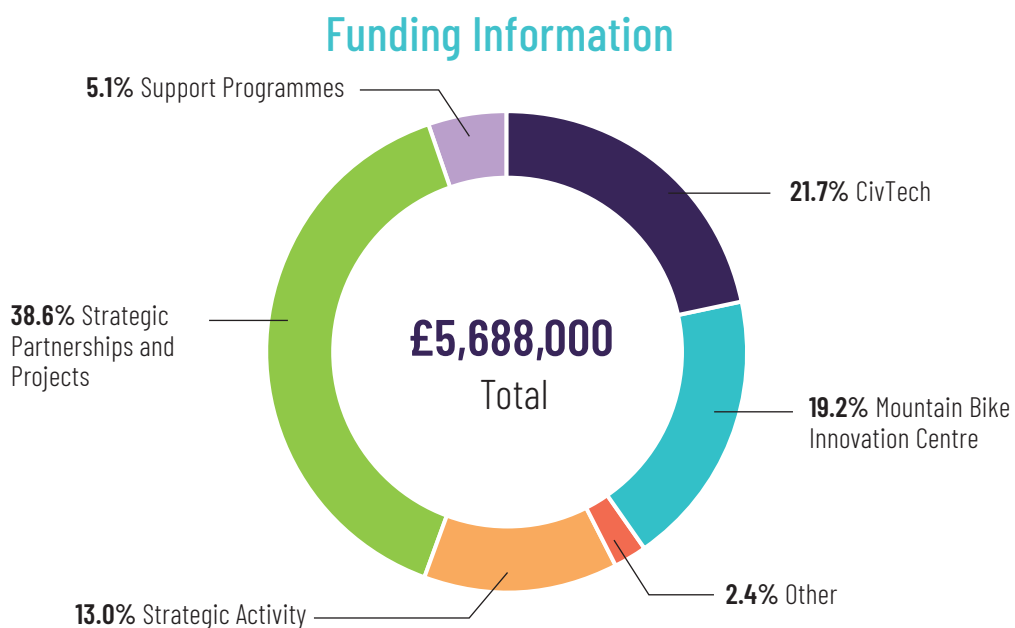
Partnership is key to realising the great potential of the South. There is a fresh and strengthened partnership approach in and across the region that is helping us to collaborate even more effectively than ever before. Our partnerships are wide ranging and encompass our critical regional partners such as: Dumfries and Galloway and Scottish Borders Councils; other national agencies such as Highlands and Islands Enterprise (HIE), Scottish Enterprise, Skills Development Scotland, and VisitScotland; the region's two Third Sector Interfaces; Skills and Education institutions; the health boards; and, crucially, communities and enterprises.

Our strategic partnerships include:

- Strategic advisory groups including SOSE's committees such as our Economic and Just Transition Committees
- Team South of Scotland
- Convention of the South of Scotland
- National enterprise agencies and sharing good practice, particularly HIE due to similar rural natures and challenges
- Zero Waste
- Scotland's Rural College (SRUC).

2023/24 funding for strategic partnerships, projects, and programmes

We invested £5.7m of our funding towards strategic partnerships and other activities in 23/24. This included University of Glasgow - Crichton Digital Upgrade, and the Tweed Forum Limited - Wild Heart Expansion Project plus piloting a number of programmes for the region's enterprises. We continued our participation in the Scottish Government's CivTech programme and our support for significant partnerships that are driving forward the region's potential, like the South of Scotland Destination Alliance (SSDA).





CASE STUDY

Housing

In 2023, the Scottish Government asked SOSE to facilitate collaboration across all regional and national bodies and organisations to tackle the housing challenges faced by the region.

This was reaffirmed by the Regional Economic Partnership (REP) when citing housing as one of three key priorities. The REP proposed that dedicated, task-orientated subgroups be established. We provided the leadership and capacity to make this happen, working collaboratively and drawing in support from others via chairing a Strategic Action Group and sub-groups; facilitating and fronting engagement, identifying, and exploring linkages with national work, leading on the development, and reporting of progress.

We have thus ensured partners have a clearer picture of our specific challenges – particularly how to build more homes, with diversity of type and tenure. Critically, we know there is real ambition to create more homes and change the dynamics – the extensive engagement has created real momentum and we are now involved with several exciting opportunities to directly support innovation in our housing supply.

Six clear areas of focus were identified for collaborative action around: Growing our own construction and development sector including a focus on SMEs and measures to increase construction skills provision and promote related careers; Increasing real choice for all across our housing tenures and types; Putting the South on the map as a place to build homes – and making the case for why we need more homes; Creating a flexible and enabling planning system; Prioritising our investment and efforts; Creating the right strategic conditions for development to flourish in the South of Scotland. Next steps include the development and launch of a partnership Housing Action Plan in Summer 2024.

Across SOSE we are members of a wide range of groups and committees to ensure we give the South of Scotland a voice and seek to positively influence decision-making and activity in transforming our region and Scotland.

- Borderlands Economic Forum
- Borderlands Energy Masterplan
- Business Support Partnership
- Convention of the South of Scotland (COSS)
- Crichton Campus Leadership Group (CCLG)
- Culture Fair Work Task Force
- Digital Dairy Chain Innovation Voucher Assessment Panel
- D&G Community Planning Partnership Board (CPPB)
- D&G Sustainable Food Partnership
- Economic Development Association Scotland (EDAS) Board
- Enterprise Agency Forum to support delivery on the £33Bn Heat in Buildings Programme, including Heat Network deployment, and the Heat in Buildings Bill
- Expert Advisor Panel on Wholesale Electricity Market Reform
- Galloway and Southern Ayrshire Biosphere Board
- Hydrogen Programme Board
- Interface Strategic Board
- International Board
- Making Scotland's Future Programme Board
- National Agri Tourism Monitor Farm Panel
- NSET Delivery Board: post meeting update for agencies
- Partnership Action for Continuing Employment (PACE) Partnership Population Programme Board
- R100 Internal and External Boards
- Scottish Offshore Wind Energy Council (SOWEC) and observer role on SOWEC's Supply Chain and Clusters Sub-group.
- Supported Scottish Government in finalising the Energy Strategy and Just Transition Plan
- Regeneration Capital Grant Fund (RCGF) Investment Panel
- Programme Delivery Board for Climate Adaptation
- RSE Economy & Enterprise Committee (EEC)
- Scotland Food and Drink Net Zero Delivery Group
- Scotland's Agritourism Strategy Board
- Scottish Borders Community Planning Strategic Board
- Scottish Borders Levelling Up Partnership meeting with UK Government
- Scottish Council for Development and Industry South of Scotland Committee
- Scottish Landscape Enterprise Network Steering Group
- Senior Leadership Group on Manufacturing
- South of Scotland Cycling Partnership Strategy
- South of Scotland Destination Alliance Board
- South of Scotland Regional Delivery Board
- South of Scotland Regional Economic Partnership (REP)
 - Education & Skills Strategic Coordination Group (ESSCG)
 - REP sub-groups - housing, transport, communications
 - South of Scotland Strategic Action Group Transport (SAGT)
- South of Scotland Responsible Tourism Strategy Delivery Group
- South West of Scotland Transport Partnership (SWestrans)
- Strategic Housing Forum
- Strategic Plan Joint Working Group
- Team South of Scotland (representatives from D&G and SB Councils, SDS, VisitScotland)
- Tourism and Hospitality Industry Leadership Group
- Town Centre/Place Making Coordination.

Principal Risks and Horizon Scanning

SOSE's risk management framework is aligned to the Scottish Public Finance Manual (SPFM) guidance. Our Board maintains its oversight of the framework, specifically by approving the annual risk appetite ratings and statements and by delegating to the Audit and Risk Committee, the regular review of strategic level corporate risks facing SOSE and obtaining assurance on top directorate risks as well as major project risks.

Operational risk management of corporate, directorate and major project risks is carried out by the Senior Leadership Team (SLT) and senior management as part of a continuous review process, supported by the Risk Assurance function.

Regular review of risk registers by SLT is informed by horizon scanning which is carried out regularly and considered six-monthly by Audit and Risk Committee to identify emerging external threats and opportunities to SOSE that may present risk. The PESTELS (Political, Economic, Social, Technological, Environmental, Legal and Security) chart is used to capture horizon scanning reviews and is maintained and updated throughout the year.

At the end of 2023/24 there were five strategic level Corporate Risks registered, as follows:

Mountain Bike Project

This major project for SOSE continues to be the top strategic priority for the Board. With increases in costs over the past year due to inflation and other pressures, third party delays and other emerging onsite project challenges, Board maintains oversight with close project risk management review and monitoring reported through Audit and Risk Committee from the Project Board.

Cyber Security

The potential impacts of a major cyber-attack or cyber incident are recognised and mitigations are continually reviewed and updated to minimise financial loss, reputational damage, and business disruption.

Resource Capacity

SOSE understands the risks associated with delivery of its expanding remit and the need to define and resource the new expectations on it of Scottish Government to facilitate new approaches to deep seated regional issues (including housing and transport challenges).

Changes in Ways of Working

While managing and engaging with external pressures that may impact and influence expectations of new working practices, the benefits for staff engagement, productivity and customer engagement are recognised and embraced.

Staff Resilience

As people are the key resource, Board and Management are aware of the need to successfully support, maintain, and develop staff resilience in the aftermath of the pandemic, economic stagnation and political landscape to ensure SOSE successfully delivers its objectives in the current economic climate.

Scoring of the majority of the corporate risks either decreased, or remained static across the latter half of 2023/24, with one risk, in relation to the Mountain Bike Project, increasing its score above risk appetite.

Emerging issues that may bring risk to SOSE in the forthcoming year centre around the impacts of the reduced budget allocation for 2024/25; the continuing cost-of-living crisis and associated impacts of on communities; environmental issues; and challenges for businesses around Net Zero.

Going Concern

The Board and Accountable Officer have considered the resource budget for 2024/25, comprising Grant in Aid and 'non-cash' budget provision, supplemented by SOSE's other income including; funding for shared positions, interest, rental income and forecast land sales. This is deemed 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 2024, net assets of £7.836m, the annual financial statements have been prepared on a "going concern" basis. Further details of SOSE's resource budget for 2024/25 are given in the Performance Report and the Accountability Report. Details of the liquidity position are given in Note 24, page 116.



Future Plans

Our Five Year Plan, published at the end of March 2023 and which looks ahead to 2028, is the strategic plan which continues to set our direction for the years ahead. The Plan responds to a statutory requirement in the SOSE Act (2019) to make a plan of the things we intend to do to meet our Aims (an “action plan”).

Our Five Year Plan is part of a collective effort to realise the vision for a **Green, Fair and Flourishing South of Scotland** set out in the Regional Economic Strategy (RES), and to support the **creation of a wellbeing economy** in support of the ambition in the National Strategy for Economic Transformation (NSET) to create prosperity for everyone in Scotland.

We continue to be directly involved in supporting the delivery of many of the actions in both the RES and NSET – working collaboratively with our partners to do so. Of note is that these actions are currently being reviewed, in both cases to arrive at a consensus on a smaller number of areas for collaborative action, to help sharpen the focus on delivery from 2024 onwards.

At the heart of a sharpened focus on delivery from a regional perspective, is the identification of three **‘Grand Challenges’ – housing, transport and skills**. These were arrived at by members of the Regional Economic Partnership because progress against each of these three enablers is key to unlocking progress on wider ambitions.

South of Scotland – Agreed ‘Grand Challenges’



Collaborate to deliver more **homes** - and more choice of homes - where they are needed in the South of Scotland



Investigate opportunities to enhance **transport** connectivity and sustainability in the South of Scotland



Develop proposals to meet our regional green **skills** opportunities and needs, with a particular focus on construction skills and pathways

For each of the three ‘Grand Challenges’, work is ongoing to develop specific action plans. SOSE is committed to working collaboratively with partners to advance these plans, providing leadership and capacity where directed to support, arriving at clear areas for collaborative focus and importantly action.

For each year of Our Five Year Plan, we will continue to produce and publish on our website an annual Operating Plan. This will make clear what specific actions and activity we will be doing to drive forward our areas of strategic focus and priorities. This will include making clear our contribution to actions developed at a regional level in response to the agreed ‘Grand Challenges’ as well as revised priorities emerging from the review of NSET.

Financial Performance

Purpose

The main purpose of this section is to summarise SOSE's performance for the year to 31 March 2024 against budget. The full detailed financial statements are contained on pages 79 to 118.

SOSE receives Grant-in-Aid from the Scottish Government (SG) which forms the majority of the budget. A small amount of other income is generated through property transactions from SOSE acting as a landlord or land sales, other grant income, loan and bank interest and partner contributions towards funded employee positions.

The budget is separated into:

Resource Departmental Expenditure Limit (RDEL) covers day-to-day expenditure 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 and contributions for shared employee positions.

Capital Departmental Expenditure Limit (CDEL) is utilised on investment in new assets whose lives extend beyond the current financial year and is primarily spent through grants to clients as well as supporting SOSE's own capital expenditure requirements.

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

Annually Managed Expenditure (AME) covers volatile costs that cannot be controlled in year, e.g. pension liabilities.

Ring-Fenced expenditure (non-cash) budget is for technical accounting charges such as asset depreciation that does not include cash spend.

Summary of the 2023/24 outturn against the budget including ABR and SBR revisions from SG

| | Original Budget Allocation | Autumn Budget Revision | Spring Budget Revision | Final Budget Allocation | Actual Outturn | (Over) / Under Spend |
|--|----------------------------|------------------------|------------------------|-------------------------|----------------|----------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| RDEL | 15,103 | (38) | 63 | 15,128 | 15,201 | (73)* |
| CDEL | 15,200 | - | - | 15,200 | 14,839 | 361 |
| Total Departmental Expenditure Limits | 30,303 | (38) | 63 | 30,328 | 30,040 | 288 |
| Financial Transactions | 3,650 | - | (1,882) | 1,768 | 1,390 | 378 |
| Non-cash | 500 | 54 | (204) | 350 | 281 | 69 |
| AME | - | - | (1,099) | (1,099) | (133) | (966) |
| Total | 34,453 | 16 | (3,122) | 31,347 | 31,578 | (231) |

* Resource overspend has been agreed and approved by the SG.

Financial Performance

The Parliamentary Accountability Report section, page 71, details SOSE's financial outturn against allocated budget from Scottish Government. The following financial performance summary provides detail on the Segmental Information categories, with further details in note 2 pages 95-96.

Grants, projects, and strategic activity and Financial Transactions

↓ Resource £3.440m (2022/23: £4.023m)

Grant/project funding supports businesses and communities with items such as operating costs, business planning and consultancy fees, allowing organisations to progress with projects that without SOSE's support could be at risk of not completing.

To further support the South SOSE also invest funds in strategic activity, including events (for example Women in Business) and consultancy in a range of areas.

The key reason for a decrease in spend was due to increases in funding required to support service delivery.

↑ Capital £14.258m (2022/23: £11.846m)

SOSE has seen an increase in spend year on year, the introduction of targeted funds has supported this increase – including Net Zero Accelerator Fund £1.046m and Community Ambition Fund £0.328m.

Grants/project funding backed a variety of projects in year such as construction projects and large equipment purchases, making up the bulk of SOSE's capital spend at £9.40m.

Mountain Bike Innovation Centre spend of £1.013m with the commencement of early works on site.

↑ Financial Transactions £1.700m (2022/23: £0.117m)

Financial Transactions saw an increase in activity in 2023/24, when it was clear the full budget would not be utilised SOSE handed back £1.882m at SBR. The remaining allocation was mostly utilised with an increase in expenditure on the prior year, allowing SOSE to support a variety of organisations with a loan facility.

Directorate Expenditure, Other Expenditure, and Income

↓ Directorate Expenditure £0.900m (2022/23: £1.081m)

Relates to internal operating expenditure critical to supporting SOSE as an organisation, this includes spend areas such as internal and external audit, legal fees, and internal training. Small decrease in expenditure due to SOSE managing spend and opportunities for savings.

↑ Other Expenditure £13.919m (2022/23: £12.330m)

Salary costs form the main expenditure increasing £0.972m as a result of the pay award. Other costs include facilities and estates expenditure, collaborative partnerships, and additions to tangible and intangible assets.

↑ Income £2.477m (2022/23: £1.373m)

SOSE received income during the period for both Resource and Capital in relation to property transactions for tenant rent and land sales, loan and bank interest, income for Business Gateway and other funded positions. Grants received from other entities such as CivTech account for the majority of the total income increase of £1.104m with offsetting expenditure within strategic projects.

Statement of Financial Position

In the year to 31 March 2024 SOSE's Statement of Financial Position showed net assets of £7.836m (2022/23: £5.309m), an increase of £2.527m on the previous year, see Statement of Financial Position, page 81.

The main drivers of the movement are detailed below:

Non-current assets

📈 PPE £5.183m (2022/23: £3.624m)

The net book value of property, plant & equipment has increased principally in relation to the construction in progress at the Innerleithan Mountain Bike Innovation Centre (MTBIC) for early works and staff project costs, and the acquisition of land and commencement of development works at Chapelcross Energy Transition Zone.

📈 Intangibles in Development £2.067m (2022/23: £1.036m)

SOSE has invested in the development of bespoke software, a CRM system, with an increase in year of £1.031m (2022/23: £0.973m), MYSOSE system is due to go live in 2024/25.

📈 Retirement benefit asset £0.241m (2022/23 £0.285m liability)

SOSE's pension position has been reported as a surplus of £0.241m within non-current asset as the pension assets are in excess of our funded obligations. The balance recognised has been adjusted for the asset ceiling restriction, see Note 19, page 107 for further information.

Current and non-current financial assets

📈 Current assets - within 1 year £0.694m (2022/23 £0.357m)

📈 Non-current assets - greater 1 year £2.149m (2022/23 £1.234m)

As a result of launching a £2.000m business loan fund in Oct 2023 SOSE saw an increase in demand for loans, issuing £1.700m to clients in 2023/24 (2022/23 £0.117m). During the year £0.461m (2022/23 £0.201m) of capital and interest repayments were received offsetting the outstanding asset balance. A prudent expected credit loss provision is recognised to provide for future potential losses.

Current assets

📈 Cash and cash equivalents £4.624m (2022/23: £2.864m)

Cash and cash equivalents have increased in year due to cash drawn down from Scottish Government not being utilised before year-end due to the timing of payable invoices. Consequently, there is an offsetting increase in creditors and accruals.

Current liabilities

📈 Trade payables and other liabilities within 1 year £5.326m (2022/23 £3.471m)

The increase in trade payables and accruals is resultant from the timing of invoices received and work complete for recognition at year-end but not invoiced. As noted above there is therefore an increase in cash not utilised.

Current and non-current liabilities - Financial transaction SG funding

📈 Trade payables and other liabilities within 1 year £0.677m (2022/23 £0.602m)

📈 Trade payables and other liabilities greater 1 year £2.643m (2022/23 £1.769m)

Financial transactions creditor balances due back to SG have increased in year due to the additional loans issued to clients. When FT funding is received from SG this is recorded as a current and non-current liability in line with client loan repayment terms. Upon capital loan repayments being received SOSE in turn is due to transfer these funds back to SG.

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 year was 5.1 days (2022/23: 7.2 days) which equates to 95% (2022/23: 87%) of suppliers paid within 10-day target.

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

Procurement

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

SOSE engaged 240 (2022/23; 209) suppliers in the year, of which all paid or were formally committed to paying the Real living wage, 168 (2022/23; 165) were SMEs and 72 (2022/23; 47) were based in the South of Scotland.

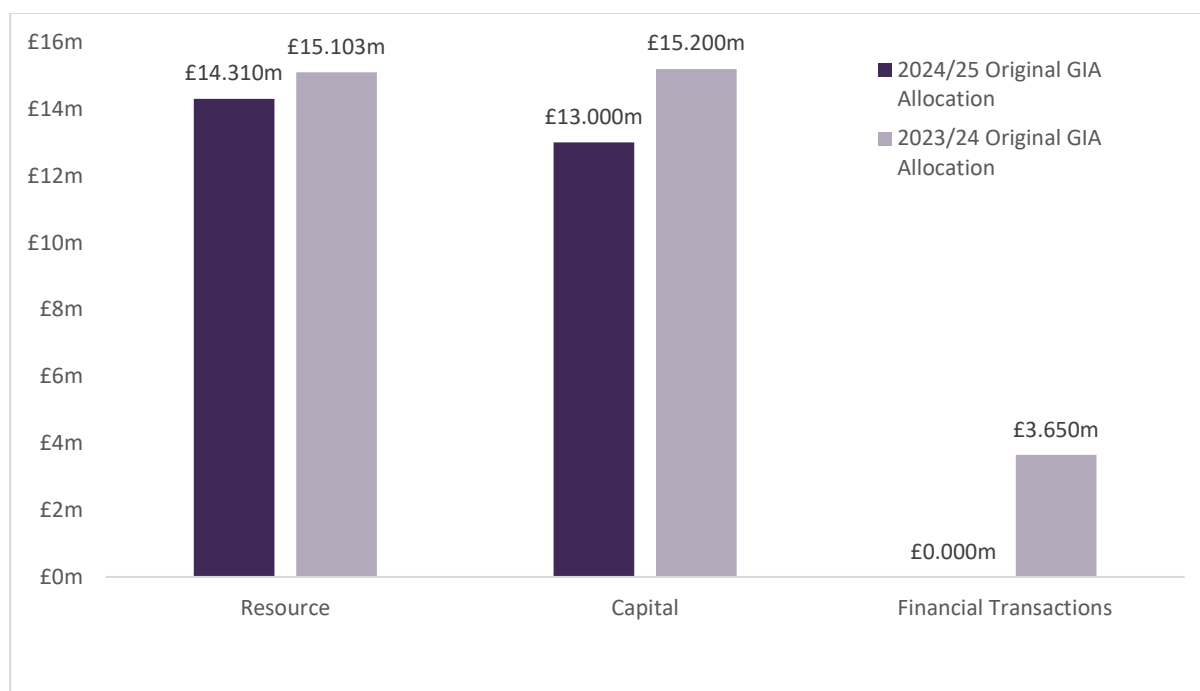
Public Sector procurement regulations seek to ensure that public procurement activity delivers value for money. During the year, 114 (2022/23; 101) contracts were awarded and procurement savings of £27.1k (2022/23 £27.5k) were noted. Savings are calculated by using the methodology recommended by Scottish Government guidance, including taking the average rate proposed and the difference between that and the final rate agreed, or by estimating the cost avoidance through the use of an existing framework.

SOSEs key procurement priorities were, and continue to be:

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

2024/25 Outlook

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



Resource

⬇️ A reduction of £0.793m (5%) resource budget allocation compared to the prior year (2023/24: £0.300m increase).

This presents a challenging position for the Resource budget however was in line with expectations given the current economic climate which has seen budget reductions across other agencies. SOSE will continue to monitor progress against budget, working closely with Scottish Government. Management will continue to prioritise spend to advance SOSE's aims, delivering economic and social development in the South of Scotland.

Capital

⬇️ A reduction of £2.200m (14%) capital budget allocation compared to the prior year (2023/24: static budget).

SOSE is starting the new year with a high level of commitment and a strong pipeline of projects, continuing with funds in areas such as Net Zero, Natural Capital and Cycling Infrastructure to support full utilisation of the budget allocation. The budget will be reviewed regularly during the year with a view to recommitting any slippage.

Financial Transactions

⬇️ SOSE has no budget allocation to support clients with loans, a reduction of £3.65m compared to the prior year (2023/24: £2.35m reduction).

The reduction in budget across resource and capital provides a challenge to SOSE to balance our resources whilst delivering our ambitions. As with the prior year the largest risk to SOSE is securing enough Resource funding in future years considering the 5% decrease for 2024/25. SOSE will continue to work with the Scottish Government on this, monitoring the likely outlook and utilise 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 | 2023/24 | 2022/23 |
|---|-----------|-----------|
| Freedom of Information (Scotland) Act 2002 (FOISA) | 35 | 20 |
| Environmental Information (Scotland) Regulations 2004 (EIR) | 0 | 0 |
| Data Protection Act 1988 / UK GDPR 2016 (Subject access requests) | 0 | 0 |
| Data Protection Act 1988 / UK GDPR 2016 (Data breaches) | 0 | 0 |
| Total | 35 | 20 |

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

| Table B | 2023/24 | 2022/23 |
|--|---------|---------|
| 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 | | 2023/24 | 2022/23 |
|------------------------|---|---------|---------|
| Section of ACT (FOISA) | Description of exemption | | |
| 33(1)(B) | Substantial prejudice to commercial interests | 2 | 3 |
| 30(B)(II) | Substantial inhibition to the free and frank provision of advice | 2 | 3 |
| 30(B)(I) | Substantial inhibition to free and frank exchange of views for the purposes of deliberation | 0 | 1 |
| 38(1)(B) | Personal information | 4 | 3 |
| 27 | Information intended for future publication | 1 | 0 |
| 25 | Prejudice substantially the interests of the UK abroad | 1 | 0 |
| 17 | Information not held | 6 | 0 |

Number of Requests for Reviews (Table D):

| Table D | 2023/24 | 2022/23 |
|---|----------|----------|
| Freedom of Information (Scotland) Act 2002 (FOISA) | 3 | 2 |
| Environmental Information (Scotland) Regulations 2004 | 0 | 0 |
| Total | 3 | 2 |

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

| Table E | 2023/24 | 2022/23 |
|--|---------|---------|
| Freedom of Information (Scotland) Act 2002 (FOISA) | 1 | 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 | 2023/24 | 2022/23 |
|------------------------------|----------|----------|
| Frontline response (Stage 1) | 2 | 0 |
| Investigation (Stage 2) | 2 | 1 |
| SPSO | 0 | 0 |
| Total | 4 | 1 |

Sustainability and Environment Report

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

We are committed to continually developing and evolving our carbon emission data reporting to ensure we can effectively produce a more accurate organisational carbon footprint (year-on-year) and to continue to identify areas to reduce our Greenhouse Gas (GHG) emissions in the year ahead. The tables below provide an illustration of our operating performance for the 2023/24 period.

| | | 2023/24 | 2022/23 |
|---|--|--------------|--------------|
| Waste* and water | | | |
| Non-financial indicators (tonnes CO2e) | Total Greenhouse Gas (GHG) emissions (from waste and water) | 27.04 | 24.13 |
| Non-financial indicators | General Waste (Tonnes) | 47.30 | 47.30 |
| | Recycled Waste (Tonnes) | 46.33 | 46.33 |
| | Total Waste (Tonnes) ^{*1} | 93.63 | 93.63 |
| Financial indicators (£'s) | Total disposal and water costs | £19,325 | £15,380 |

| | | | |
|---|-------------------------------|---------------|---------------|
| Utilities & Business Travel | | | |
| Non-financial indicators (tonnes CO2e) | Electricity | 64.15 | 66.47 |
| | Gas | 126.69 | 131.13 |
| | Business Travel ^{*2} | 53.73 | 42.63 |
| | Total GHG emissions | 244.57 | 240.23 |
| Non-financial indicators (kWh) | Electricity | 282,037 | 304,823 |
| | Gas | 692,555 | 718,058 |
| | Total | 974,592 | 1,022,881 |
| Financial indicators (£'s) | Electricity ^{*3} | £92,995 | £20,148 |
| | Gas ^{*4} | £18,501 | £76,780 |
| | Business Travel | £95,131 | £66,476 |
| | Total | £206,627 | £163,404 |

| | | | |
|---|--|--------------|--------------|
| Home working | | | |
| Non-financial indicators (tonnes CO2e) | Energy & heating Total GHG emissions | 31.25 | 33.53 |

| | | 2023/24 | 2022/23 |
|--|---|---------------|---------------|
| Total GHG Emissions | | | |
| Non-financial indicators (tonnes CO2e) | Total GHG Emissions | 302.86 | 297.89 |
| | Percentage Change | +2% | |
| Emissions per average number of employees | | | |
| | Average number of employees | 140 | 137 |
| | GHG emissions per employee (tonnes CO2e) | 2.163 | 2.174 |

*1 2022/23 Waste figures amended to more accurately reflect conversion factors for the calculation of volume (litres) to weight (tonnes), alongside an amendment for one of our sites which was reported as Recycled Waste but should have been reported as General Waste.

*2 2022/23 Air business travel figures have been amended with the correct GHG Conversion Factor applied.

*3 2022/23 Electricity costs includes a price revision to bring SOSE onto the Scottish Government electricity framework agreement and accrual release from 2021/22 which related to an estimated tariff increase for green energy.

*4 2023/24 Gas costs include credits in year and accrual release, gas invoiced in period £47k

Note: Historically we have changed our GHG Conversion Factors mid-year (June) when UK Government release new figures however going forward we will use latest GHG Conversion Factors when accounting for the whole financial year.

We have reported data in relation to waste, utilities (incl. water), and business travel where we are directly responsible for these costs. Our data reporting system is built on the principles of the GHG Reporting Protocol and references the UK Government GHG Conversion Factors for Company Reporting. Our data now accurately quantifies Scope 1, 2 and 3 emissions across our operations. However, we are committed to continually improving our approach to ensure all direct and indirect emissions are captured and reported.

As reported in 2022/23, 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 increased by 2% compared with the previous reporting period. This can be explained as follows:

- Any falls in emissions associated with energy use within our property portfolio, including home working, have been offset by an increase in emissions associated with an increase in business travel
- Whilst total carbon emissions associated with business travel has increased there has been a greater percentage share of miles travelled by public transport (up from 4% in 2022/23 to 8% in 2023/24) and secondly the carbon intensity of total grey fleet miles travelled has reduced in 2023/24 (compared with 2022/23)
- The GHG emissions (carbon intensity) per employee has also reduced from 2.175 tCO2e in 2022/23 to 2.163 tCO2e in 2024/25.

Other areas of activity have included:

- Continued delivery of Carbon Literacy training as part of the SOSE Induction of new staff, with SOSE now a Gold accredited Carbon Literate Organisation (March 2024)
- SOSE became a Cycle Friendly Employer in September 2023, which recognises workplaces for their commitment to making it easier for more people to enjoy the benefits of cycling
- Roll out of SOSE's Electric Vehicle Salary Sacrifice Scheme, following launch in March 2023, has seen 10% of employees take advantage of the scheme in 2023/24
- As part of energy efficiency improvements at our Ettrick Mill building in Selkirk we have improved the insulation on the heating pipework.

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

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

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

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

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

- In our IT hardware procurement, the latest energy efficiency and environment accreditations have been incorporated into the specifications used
- Procurement of on-site infrastructure upgrades at both of SOSE's main offices to achieve Cycle-Friendly Employer status
- Use of re-purposed furniture in fitting out the recently opened Hawick Business Centre
- The use of circular products in SOSE's marketing material.

SOSE does not routinely purchase a high volume of goods, but when they are required SOSE seeks to procure responsibly and with sustainability in mind. This includes purchasing second-hand goods when appropriate and available, and minimising logistic-related emissions by purchasing from local suppliers as much as possible.

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

*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 SOSE asks bidders to provide specific details around:

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

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

Future

Moving forward SOSE remain dedicated to our transition to Net Zero, and we are committing to a net zero target for our operational footprint by 2038. We will look to plan our operational transition to net zero in the coming year by exploring heat decarbonisation and renewable energy solutions across our estate as well as continuing to support our employees with smarter ways of working to further reduce emissions.

Having responded to the Scottish Government's consultation on proposals to make new laws around the energy efficiency of our homes and buildings and the way we heat those buildings we recognise that the draft Heat in Buildings Bill proposes that all public sector buildings should end their use of polluting heating systems by 2038 – ahead of the wider 2045 target.

SOSE continues 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 Heating & HVAC, Lighting, and EV charging infrastructure.

Exploring heat decarbonisation opportunities across our estate, and in particular at our offices at Ettrick Riverside, Selkirk, remains a priority given its significance in our operational footprint.

Jane Morrison-Ross

J Morrison-Ross

Chief Executive and Accountable Officer

South of Scotland Enterprise

22 August 2024

A large graphic on the left side of the page, consisting of a teal-colored circle partially overlapping a white circle. The teal circle is the primary focus for the text.

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 10 members through the public appointment process.

Board Membership

| | Appointed | Leaver / term ended* | Re-appointed |
|--------------------------------------|------------------|----------------------|--------------|
| Russel Griggs (Chair)* | 1 April 2020 | | 1 April 2023 |
| Jane Morrison-Ross (Chief Executive) | 22 February 2021 | | |
| Alistair Cameron | 9 March 2020 | | 9 March 2024 |
| Helen Forsyth | 9 March 2020 | | 9 March 2024 |
| Duncan McConchie | 9 March 2020 | | 9 March 2024 |
| Lindsay McDowall | 9 March 2020 | 8 March 2024 | |
| Jeremy Sainsbury | 9 March 2020 | | 9 March 2024 |
| Sara Carter | 9 March 2020 | 31 August 2023 | |
| Vivienne Cockburn | 1 April 2022 | | |
| Emma Guy | 1 April 2022 | | |
| Kirsten Hannay | 1 April 2022 | | |
| Paul Winstanley | 1 April 2022 | | |
| Rory Christie | 9 March 2024 | | |
| Mary Thomson | 9 March 2024 | | |

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

Senior Leadership Team

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

Senior Leadership Team Membership

| | Job title | Appointed | Leaver |
|--------------------|---|-----------------------------------|---------------|
| Jane Morrison-Ross | Chief Executive | 22 February 2021 | |
| Karen Jackson | Director of Strategy, Partnership and Engagement | 9 December 2019 | |
| Anthony Daye | Director of Finance and Corporate Resources Interim Director of Place and Enterprise | 9 March 2020 * 15 January 2024 | * |
| Bryan Mcgrath | Director of Place and Enterprise | 11 May 2020 | 13 March 2024 |
| Martin Valenti | Director of Net Zero, Nature and Entrepreneurship | 5 July 2021 | |
| Allan Harrow | Interim Director of Finance and Corporate Resources | * 15 January 2024 | |

* Effective January 2024 Anthony Daye and Allan Harrow both moved into Interim roles

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>

<https://www.southofscotlandenterprise.com/media/2kth3vlr/sose-board-registers-of-interest-january-2024.pdf>

Data loss

There were no reported data losses or reportable data breach incidents in the year 2023/24 (nil 2022/23).

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 2024. 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 £117,058 including a rebate of £342. (2022/23; £102,197, including a rebate of £8,523). There were no fees payable to Audit Scotland for non-audit work during the period.

Severance payments

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

The Statement of Accountable Officer's Responsibilities

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

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

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

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

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

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

In these statements, as Accountable Officer, I confirm:

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

Governance Statement

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

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

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

In my key leadership role as Chief Executive and Accountable Officer, I am responsible for and continue to drive forward SOSE's vision and demonstrate our values to be responsible, inclusive, bold and striving. I continue to lead and to deliver for the South of Scotland on the strategic focus of our [Five-Year Plan](#) and annual [Operating Plan](#). 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 2023/24, the following specific components have been delivered and enhanced, to support the internal control framework:

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

Following SPFM guidance, the Internal Control Certification (ICC) process was completed for the year ending 31 March 2024 and demonstrated that there are no significant matters arising and that key controls have been in place and working well. There is a sound system of risk management and internal control across the organisation. The key control systems are effective, proportionate and appropriate for SOSE in its fourth year of operation.

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

- Integrate performance measurement with the Five-Year Plan key priorities
- Develop the Records Management Framework and policies including information asset management
- Continued application of the Equality and Diversity Framework
- Expand and embed the Performance Measurement Framework
- Continue to monitor the Cyber Security Programme
- Continued roll out of the Business Impact Risk Assessments
- Test the Business Continuity Plan, business resilience and disaster recovery arrangements
- Embed risk management in appraisal processes.

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

- Developing agile programme and project management across business projects
- Maximising efficiency across staff resource
- Streamlining business processes
- Maximising the potential of Board and Committees to support strategic level business delivery.

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

Governance Framework

SOSE operates under the sponsorship of the Scottish Government and the Chair of the Board and Chief Executive meet regularly with Government officials and Sponsor Team to deliver on the SOSE Act and to lead as the Economic and Community Development Agency for Dumfries and Galloway and Scottish Borders.

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 undertook the governing responsibilities on behalf of the Board during 2023/24.

- Audit and Risk Committee
- People and Organisational Development Committee
- Economics Committee
- Just Transition Committee.

Board and Committee structure

| Committee | Comprises | Meeting frequency | Conducted |
|---|--|------------------------------|---|
| Board | The Board comprises a total of eleven members | 6 times per year plus ad hoc | Face to Face or virtual by exception. Board meetings are carried out within the community throughout the region |
| Audit and Risk Committee (ARC) | Committee Chair plus two SOSE Board Members, with Auditors and officers in attendance | 5 times per year plus ad hoc | Virtually and face to face |
| People and Organisational Development Committee (POD) | Committee Chair plus three SOSE Board Members, with officers in attendance | Quarterly | Virtually and face to face |
| Economics Committee (EC)* | Committee Chair plus two SOSE Board Members and four external Members, with officers in attendance | 3 times per year | Virtually and face to face |
| Just Transition Committee (JTC)* | Committee Chair plus two SOSE Board Members and ten external Members | 3 times per year | Virtually and face to face |

*EC and JTC terms of reference were updated during 2023

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

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

Corporate Governance

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

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

The key components of the Governance Framework in SOSE are:

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

SOSE Board

Our Board membership changed in the year with two members leaving and two new Board members appointed. Board continued to lead SOSE throughout the year by its leadership, guidance, and support and in practice, through its schedule of meetings as well as ad-hoc meetings, visits and engagements.

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

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

With regards to Board development, new Members undertook initial induction on appointment and existing Members' appraisals were carried out.

Senior Leadership Team

The organisation structure of four Directorates remained throughout the year:

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

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

Strategic Planning Framework

SOSE launched its new Five-Year Action Plan 2023-28 in the year as the core of its Strategic Planning Framework. The Action Plan is progressing into its second year of implementation and sets the strategic priorities, which are the foundation of the Strategic Planning Framework and unpacks the SOSE Act obligations and themes from NSET.

Supported by SOSE Executives and staff, the Plan delivers activities that sit under each of six A priorities:

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

The Action Plan forms key links between the Annual Operating Plan, Performance Measurement Framework and this Annual Report.

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

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

Value for Money and Business Improvement

Directorate Workplans and financial plans continued to be developed and aligned to the Action Plan priorities through the year to cascade into team and project plans and to ensure business improvement and value for money is captured. Using Power BI and other tools, analyses and reporting will be developed further to capture, track and report on both quantitative and qualitative business improvements and value for money measures, as described in the Performance Overview section of this report.

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

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

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

Risk Management

The Risk Management Framework in SOSE follows Scottish Government good practice.

Supported and co-ordinated by the Risk Assurance Officer, Risk Champions from Directorates and key projects continue to embed risk management in practice, within team and project meetings, appraisals and reports to Committees and Board.

The Risk Assurance Officer leads on maintaining the risk database, Ideagen system, for data capture, analysis and reporting.

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

The major investment Project Risk Register for the Mountain Bike Project continued to be reported to the Programme Board, Audit and Risk Committee and Board. The major business project for implementing MySOSE also continued to be reported with its risk register managed and reported throughout the year.

Significant Risks

During 2023/24, 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 risks:

- Mountain Bike Project
- Resource capacity to deliver expanding remit
- Changes in ways of working and hybrid approach
- Cyber security
- Staff resilience.

Fair Work

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

In line with Scottish Government Fair Work First policy, Human Rights Law and the SOSE Act, our Fair Work and Equalities Lead has created a mechanism by which we can capture and monitor our clients' adherence with and progress against the Fair Work First Criteria. This helps us to ensure that our clients and prospective clients are responsible employers. We seek to understand their approach to upholding human rights as part of our due diligence processes and have introduced mandatory conditions to our grant offer processes, in accordance with the Scottish Government's Fair Work First policy.

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

The SOSE Just Transition 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 that Fair Work practices underpin the operation of SOSE
- Specific matters relating to the interests of workers in SOSE's region within proposals, policies, strategies, and plans.

Fraud Prevention

We align to the Scottish Government's Scottish Public Finance Manual which provides clear guidance on the approach to, and methodology for counter fraud, anti-corruption and bribery including reporting. There were no frauds reported in 2023/24 (nil 2022/23)

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

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

Management of Key Financial Liabilities

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

Information Systems, Security and Business Continuity

SOSE continues to obtain assurances on the security and integrity of its IT systems, principally from the Shared Services contractual arrangements in place with Skills Development Scotland (SDS) and Scottish Enterprise (SE), for its core business systems.

SOSE uses an industry standard platform for creation, storing and sharing of business-related documents. Data Security policies within SOSE ensure that the information security is maintained, following good practice in relation to all applications.

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

Loss or theft of equipment or information is reduced by the use of a suite of appropriate IT security tools and disaster recovery planning is in place for the SOSE website.

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

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

Ongoing cyber improvements have introduced a new 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 while also providing better reporting to partners and delegated authority to disable any accounts showing potential malicious activity during out of office hours. SOSE continue to develop and manage Business Continuity Plans throughout the year as required. The first BCP exercise was carried out in November 2023 with a 3rd party consultant. The report from this exercise classed SOSE as being optimised to react and respond to a significant Cyber incident. Klaxon notification and alert system, continues to support emergency response communications in the event of business disruption. We continue to operate in a hybrid working environment which serves as a disaster recovery back-up should offices be unavailable.

A major project for SOSE continued in the year, to replace the existing SE CRM system and develop a new system for managing client information and records. The project started in 2022/23 with completion expected mid-year 2024. The new system is based on existing and proven technology and meets the Digital Scotland Service Standards (DSSS).

Cyber Essentials Plus accreditation continues to be achieved on an ongoing annual basis along with our partners and managed by EIS.

Following acceptance of SOSE's Records Management Plan (RMP) by the Keeper of the National Records of Scotland (NRS) in 2021/22, the RMP has been in place and in 2023/24 preparation of a Progress Update Report (PUR) to be submitted to NRS in September 2024.

Internal Audit

SOSE's appointed Internal Auditors, Scottish Enterprise Internal Audit, completed the audits contained within the annual plan of work for 2023/24.

The Internal Audit Strategy and Plan were overseen and monitored by the SLT, and updates provided to Audit and Risk Committee. Internal Audit reviews in the period included:

- Financial Transactions
- Whistleblowing
- Cyber Security
- Projects/Programmes
- People.

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

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

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

For 2023/24 the conclusion of internal audit work carried out, and reported to the SOSE Audit and Risk Committee, identified an overall good level of assurance on SOSE's framework of control, including governance, risk management, operational and system controls and line management controls. SOSE has an appropriate and effective risk management framework in place, which meets the requirements of the Scottish Public Finance Manual, and which contributes to a successful risk management culture.

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 2023/24. 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 2024 and to the date of signature of the accounts.

Remuneration and Staff Report

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

People and Organisational Development Committee

The People and Organisational Development Committee reviews and determines the remuneration of the Chief Executive and Directors of the agency 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. £2.8k benefits in kind were made to members of the Board during the year ended 31 March 2024 in relation to travel expenses (£1.8k - 22/23).

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

| | 2023/24 | 2022/23 | Appointment expires |
|-----------------------------|---------|---------|-------------------------|
| | £000 | £000 | |
| Russel Griggs ^{*1} | 55-60 | 55-60 | 31 March 2027 |
| Alistair Cameron | 5-10 | 5-10 | 8 March 2028 |
| Sara Carter ^{*2} | 0-5 | 5-10 | Leaver 31 August 2023 |
| Helen Forsyth | 5-10 | 5-10 | 8 March 2028 |
| Duncan McConchie | 5-10 | 5-10 | 8 March 2028 |
| Lindsay McDowall | 5-10 | 5-10 | Term ended 8 March 2024 |
| Jeremy Sainsbury | 5-10 | 5-10 | 8 March 2028 |
| Vivienne Cockburn | 5-10 | 5-10 | 31 March 2026 |
| Emma Guy | 5-10 | 5-10 | 31 March 2026 |
| Kirsten Hannay | 5-10 | 5-10 | 31 March 2026 |
| Paul Winstanley | 5-10 | 5-10 | 31 March 2026 |
| Rory Christie | 0-5 | - | 8 March 2028 |
| Mary Thomson | 0-5 | - | 8 March 2028 |

Remuneration of the SOSE Board continued

*¹ Russel Griggs, has been reappointed as Chairman for a further 4 years to 2027.

*² Sara Carter's remuneration has been waived and paid directly to University of Glasgow. Sara left the Board in August 2023.

5 Board Members appointments came to an end on 8th March 2024 at the end of their term, 4 were reappointed for a further 4 years to 8 March 2028. Following a recruitment process 2 new members were appointed to the Board for 4 years to 2028.

Remuneration of Members of the Leadership Team

The contracts of members of the SOSE Leadership Team (SLT) are permanent and have a three-month notice period. There are no early termination payment clauses within these contracts. At the end of the prior year SOSE introduced an electric vehicle salary sacrifice scheme, 2 members of the SLT have taken up this benefit. No other 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 21.6% for all members of the Scottish Borders Council LGPS with the employee's contribution rate dependent on individuals' rate of pay. The scale for employees' contribution range between 5.5% and 12% on individual's pensionable pay.

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

| | FTE* | | Actual for year to 31 March 2024 | | | FTE | | Actual For year to 31 March 2023 | | |
|-----------------------------|---------|---------|----------------------------------|------------------|---------|---------|------|----------------------------------|------------------|-------|
| | 23/24 | | Salary | Pension Benefits | Total | 22/23 | | Salary | Pension Benefits | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Jane Morrison-Ross | 115-120 | 115-120 | 48 | 165-170 | 115-120 | 115-120 | 46 | 160-165 | | |
| Karen Jackson | 100-105 | 100-105 | 42 | 145-150 | 95-100 | 95-100 | 41 | 135-140 | | |
| Anthony Daye | 100-105 | 100-105 | 53 | 150-155 | 95-100 | 95-100 | 79 | 175-180 | | |
| John Evans* ³ | - | - | - | - | 95-100 | 80-85 | 13 | 95-100 | | |
| Bryan McGrath* ⁴ | 100-105 | 125-130 | 93 | 220-225 | 95-100 | 95-100 | 106 | 200-205 | | |
| Martin Valenti | 100-105 | 100-105 | 129* ² | 225-230 | 95-100 | 95-100 | 37 | 135-140 | | |
| Allan Harrow* ⁵ | 85-90 | 15-20 | 7 | 25-26 | - | - | - | - | | |

*¹ FTE – Full time equivalent.

*² Includes transfer-in of benefits from former pension provider in the year

*³ Salary includes exit package for John Evans 2022/23

*⁴ Salary includes payment in lieu of notice for Bryan McGrath 2023/24

*⁵ Interim Director Position, actual salary and pension benefit relates only to period in the SLT

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

Salary information (Audited)

In the year remuneration, including the highest paid member of the SLT (CEO), ranged from £23k - £119k (2022/23 - £21k - £116k). No employee received remuneration in excess of the CEO.

Fair pay salary disclosures:

| | 2023/24 | | 2022/23 | |
|-----------------------|----------|----------|----------|----------|
| | Salary | % change | Salary | % change |
| Highest paid director | £119,270 | ↑ 2.8% | £116,007 | ↑ 1.9% |
| Average all employees | £52,601 | ↑ 12.5% | £46,751 | ↑ 8.1% |

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

| | 2023/24 | | | 2022/23 | | |
|-----------------------------|---------|--------|----------|---------|--------|----------|
| | Salary | Ratio* | % change | Salary | Ratio* | % change |
| Median total remuneration | £51,279 | 2.3 | 12.1% ↑ | £45,747 | 2.5 | ↑ 4.7% |
| 25 th percentile | £42,372 | 2.8 | 16.7% ↑ | £36,299 | 3.2 | ↑ 13.3% |
| 75 th Percentile | £60,603 | 2.0 | 12.8% ↑ | £53,733 | 2.2 | ↑ 10.7% |

*Ratio against highest paid director

The movement in pay ratios are consistent with SOSE's pay and progression policies available to all staff.

2023/24 - The pay increases were tiered, with higher uplifts allocated to individuals in the 25th and 50th percentiles compared to those in the 75th percentile.

2022/23 - The Public Sector Pay Policy Award was also reflected support towards the cost of living crisis.

Employee benefit disclosure:

In 2023/24, 16 employees are opted into the salary sacrifice electric vehicle scheme exchanging £79k of their gross salary and 10 employees utilised the cycle to work scheme sacrificing £15k. The sacrificed amounts are included within the gross salary figure stated on page 68, no other benefits were paid to employees.

(2022/23: £0.5k relating to working from home equipment)

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.

2023/24

| Name | Accrued pension at pension age at 31 March 2024 | Accrued lump sum at pension age at 31 March 2024 | Real increase in pension for period to 31 March 2024 | Real increase / (decrease) in lump sum for period to 31 March 2024 | CETV* at 31 March 2024 | CETV* at 31 March 2023 | Real increase in CETV |
|--------------------|---|--|--|--|------------------------|------------------------|-----------------------|
| | Band £5000 | Band £5000 | Band £2500 | Band £2500 | £000 | £000 | £000 |
| Jane Morrison-Ross | 5-10 | - | 2.5-5.0 | - | 116 | 62 | 54 |
| Anthony Daye | 30-35 | - | 2.5-5.0 | - | 459 | 336** | 123 |
| Bryan McGrath | 50-55 | 70-75 | 2.5-5.0 | 2.5-5.0 | 1014 | 805** | 209 |
| Karen Jackson | 5-10 | - | 2.5-5.0 | - | 110 | 61 | 49 |
| Martin Valenti | 35-40 | 30-35 | 5.0-7.5 | 5.0-7.5 | 717 | 590** | 127 |
| Allan Harrow | 0-5 | - | 0-2.5 | - | 52 | 23 | 29 |

*CETV - Cash equivalent transfer value

** Includes transfer in from previous employment, Martin Valenti's CETV 31 March 2023 now reflects a transfer in.

Cash equivalent Transfer Value (CETV)

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

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

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

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

Real increase in CETV

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

Staff Report

Staff Costs:

| | 2023/24 | | | 2022/23 | | |
|--|-----------------|-------------|--------------|-----------------|-------------|---------------|
| | Permanent Staff | Other Staff | Total Staff | Permanent Staff | Other Staff | Total Staff |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Wages and salaries | 7,091 | 208 | 7,299 | 6,221 | 245 | 6,466 |
| Severance costs and exit packages | 29 | - | 29 | 69 | - | 69 |
| Pension costs | 1,490 | 41 | 1,531 | 1,296 | 50 | 1,346 |
| Social security costs | 799 | 20 | 819 | 734 | 15 | 749 |
| Apprenticeship levy | 22 | - | 22 | 18 | - | 18 |
| Holiday pay accrual | 72 | 2 | 74 | 44 | 4 | 48 |
| Salary sacrifice savings pass back | 11 | - | 11 | - | - | - |
| Less: Outward secondments allocated to project cost | (21) | - | (21) | (9) | - | (9) |
| Less: Capitalised staff costs | (173) | (44) | (217) | (108) | (9) | (117) |
| Board Members' remuneration | 144 | - | 144 | 148 | - | 148 |
| Net staff costs in SOCNE | 9,464 | 227 | 9,691 | 8,413 | 305 | 8,718 |
| IAS pension service cost | - | - | (29) | - | - | 1,629 |
| Net management expenditure on staff costs (Note 6, page 98) | - | - | 9,662 | - | - | 10,347 |

Temporary staff costs:

| | 2023/24 | | | 2022/23 | | |
|-----------------------------|-----------------|-------------|-------------|-----------------|-------------|-------------|
| | Permanent Staff | Other Staff | Total Staff | Permanent Staff | Other Staff | Total Staff |
| Contract/ Temporary staff * | - | - | - | - | 17 | 17 |
| Total | - | - | - | - | 17 | 17 |

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

Average number of employees between 1 April and 31 March:

| | 2023/24 | | | 2022/23 | | |
|---------------------------------------|-----------------|-------------|-------------|-----------------|-------------|-------------|
| | Permanent Staff | Other Staff | Total Staff | Permanent Staff | Other Staff | Total Staff |
| Senior Leadership Team | 5 | 0 | 5 | 5.5 | 0 | 5.5 |
| Outward/Client Facing | 65 | 0.5 | 65.5 | 65 | 0 | 65 |
| Professional and Administrative Staff | 65.5 | 4.0 | 69.5 | 58.5 | 8 | 66.5 |
| Total | 135.5 | 4.5 | 140 | 129 | 8 | 137 |

Board members and employees by gender at 31 March:

| | 2023/24 | | | 2022/23 | | |
|------------------------|-----------|-----------|------------|-----------|-----------|------------|
| | Male | Female | Total | Male | Female | Total |
| Board | 6 | 5 | 11 | 5 | 6 | 11 |
| Employees | | | | | | |
| Leadership Team | 3 | 2 | 5 | 3 | 2 | 5 |
| Other employees | 53 | 82 | 135 | 51 | 84 | 135 |
| Total employees | 56 | 84 | 140 | 54 | 86 | 140 |

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

Sickness Absence

The attendance record for SOSE for the year 31 March 2024 was 591 days sick leave out of a total of 29,556 possible working days representing a time lost through rate of 2.0% (2022/23: 2.5%)

Turnover rate

During the period there was 7.8% staff turnover (2022/23: 5.1%)

Compensation and exit packages

1 member of SOSE staff left under severance terms between 1 April 2023 and 31 March 2024, at a cost of £29,375 (2022/23: 1, cost £69,000).

| | 2023/24 | | | 2022/23 |
|-------------------------------|------------------------------------|-------------------------|-------|---------|
| | Compulsory or voluntary redundancy | Other departures agreed | Total | Total |
| Exit package cost band | | | | |
| <£10,000 | - | - | - | - |
| £ 10,001 - £25,000 | - | - | - | - |
| £ 25,001 - £50,000 | - | 1 | 1 | - |
| £ 50,001 - £100,000 | - | - | - | 1 |

Trade Union Facility Time

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

Statutory requirements of the Trade Union (Facility Time Publications Requirements) Regulations 2017 should therefore be considered in the context of the benefits both for the workforce and the employer. As part of our commitment to working in partnership we offer paid facility time to our workplace representatives to enable them to carry out union activities and duties.

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

The total cost of facility time amounted to 0.31% (2022/23: 0.27%) 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.

Investing in our people and culture

Information on the following can be found in the Performance Report, page 18-19;

- Inclusion, diversity and equality
- People and culture development
- Training and development.

Parliamentary Accountability

Report and Audit Report

The results for the year to 31 March 2024 are contained in the attached accounts which have been prepared in accordance with South of Scotland Enterprise Act 2019 and are in the form directed by Scottish Ministers. SOSE is mainly financed by Scottish Ministers through the Scottish Government Directorate for Economic Development. In addition to this SOSE also generates a small income from rental property, interest received and funded positions.

Grant in Aid allocation

| | Resource Departmental Expenditure Limits £000 | Capital Departmental Expenditure Limits £000 | Financial Transactions £000 | Total £000 |
|----------------------|--|---|-----------------------------------|---------------|
| 2023/24 | | | | |
| Original Budget | 15,103 | 15,200 | 3,650 | 33,953 |
| SBR Final Allocation | 15,128 | 15,200 | 1,768 | 32,096 |
| Movement | 25 | - | (1,882) | (1,857) |
| 2022/23 | | | | |
| Original Budget | 14,803 | 15,200 | 6,000 | 36,003 |
| SBR Final Allocation | 14,967 | 13,500 | 1,906 | 30,373 |
| Movement | 164 | (1,700) | (4,094) | (5,630) |

Of the £32.096m (2022/23: £30.373m) Grant in Aid the Scottish Government made available to SOSE, £30.918m (2022/23: £25.397m) was drawn down. The value drawn down was lower than what was available as SOSE utilised the additional drawdowns from 2022/23 which were not spent (£0.561m) and not drawing down the full Financial Transactions available as SOSE were aware at time of last draw down the budget would have an underspend.

The Scottish Government has awarded SOSE Budget for 2024/25 of £27.364m which includes both Grant in Aid and a non-cash budget provision. This is deemed adequate for SOSE to continue for the foreseeable future.

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

Summary of Outturn 2023/24

| | Expenditure | Income | Outturn | GIA & grant allocation | (Over)/Under spend |
|---|---------------|----------------|---------------|------------------------|--------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Resource budget | 16,395 | (1,194) | 15,201 | 15,128 | (73) |
| Capital budget | 15,931 | (1,092) | 14,839 | 15,200 | 361 |
| Total Department Expenditure Limit | 32,326 | (2,286) | 30,040 | 30,328 | 288 |
| Financial Transactions | 1,700 | (310) | 1,390 | 1,768 | 378 |
| Cash funded outturn | 34,026 | (2,596) | 31,430 | 32,096 | 666 |
| Non-cash costs including depreciation | 281 | - | 281 | 350 | 69 |
| Annually Managed Expenditure | - | (133) | (133) | (1,099) | (966) |
| Total | 34,307 | (2,729) | 31,578 | 31,347 | (231) |

Budget Outturn

- SOSE's resource budget allocation saw a small increase in funding from Scottish Government at SBR, net movement £0.025m (2022/23: £0.164m). At final outturn a small overspend of £0.073m was recognised (2022/23: £0.227m underspend) which has been approved by Scottish Government and is in relation to a reclassification of expenditure from capital to resource.
- SOSE's final SBR capital budget was higher compared to the prior year with our final outturn almost achieving the full budget allocation provided by Scottish Government, recognising a minor underspend of £0.361m (2022/23: £0.333m). This was principally in relation to a delayed start to early works for the Mountain Bike Innovation Centre, timing of other projects were closely monitored to bring the overall position in close to budget.
- Financial Transactions saw increased spend in year, SOSE agreed £1.882m would be handed back at SBR to Scottish Government as a result of the demand for loans. SOSE had an underspend of £0.378m (2022/23: £1.848m), part of this underspend relates to one loan not being issued.
- Non-cash is a Ring-fenced budget including depreciation utilisation for the period to 31 March 2024 totalled £0.281m (2022/23: £0.203m), £0.069m (2022/23: £0.060m) lower than the provision provided by the Scottish Government. This was in relation to a delay to a role out of an internal Customer Relationship Management system.
- Annually Managed Expenditure reflects the movements for year-end pension adjustments, property impairments and deferred tax movements in year.

Summary of Outturn 2022/23

| | Expenditure | Income | Outturn | GIA & grant allocation | (Over)/Under spend |
|---|---------------|----------------|---------------|------------------------|--------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Resource budget | 15,872 | (1,132) | 14,740 | 14,967 | 227 |
| Capital budget | 13,407 | (240) | 13,167 | 13,500 | 333 |
| Total Department Expenditure Limit | 29,279 | (1,372) | 27,907 | 28,467 | 560 |
| Financial Transactions | 117 | (59) | 58 | 1,906 | 1,848 |
| Cash funded outturn | 29,396 | (1,431) | 27,965 | 30,373 | 2,408 |
| Non-cash costs including depreciation | 203 | - | 203 | 263 | 60 |
| Annually managed expenditure | (2,743) | - | (2,743) | 3,358 | 6,101 |
| Total | 26,856 | (1,431) | 25,425 | 33,994 | 8,569 |

Other disclosures

- Losses and Special Payments – due to the nature of SOSE’s investments, there are occasions when it is required to write off balances which are no longer recoverable. The Scottish Public Finance Manual (SPFM) requires total losses and special payments exceeding £0.3m to be disclosed, SOSE has elected to report write-offs over £50k for transparency.

| | 2023/24 | | 2022/23 | |
|--|-------------|----------|-------------|------------|
| | No of cases | £000 | No of cases | £000 |
| Financial Asset losses (Loan write-off; company in liquidation) | - | - | 1 | 203 |
| Total | - | - | 1 | 203 |

- 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 2024 (nil 2022/23) relating to fees and charges.
- Gifts - The SPFM requires gifts to be reported and individual gifts of more than £0.250m to be noted separately. SOSE has nothing to report for the period to 31 March 2024 (nil 2022/23) in respect of gifts.
- SOSE has no contingent liabilities to report.

Reconciliation of Outturn to Total Comprehensive Net Expenditure

| Reconciliation To Total Comprehensive Net Expenditure | 2023/24 | 2022/23 |
|---|---------------|---------------|
| | £000 | £000 |
| Total Comprehensive Net Expenditure | 27,443 | 22,391 |
| Pension (IAS 19) | 526 | 2,685 |
| Revaluation – property and land | (401) | (37) |
| Depreciation | (281) | (203) |
| Non-current asset additions | 821 | 393 |
| Non-current asset disposal | (2) | (12) |
| Held for sale asset disposal | (73) | - |
| Construction in progress | 1,016 | 1,386 |
| Right of use assets – IFRS16 | 21 | 261 |
| Intangible additions | 1,030 | 973 |
| Expected credit loss for trade debt (AME) | (6) | 12 |
| Movement in provision | 40 | (40) |
| Tax provision and charges (AME) | (94) | 98 |
| Net expenditure funded by SG | | |
| Departmental Expenditure Limit (DEL) | 30,040 | 27,907 |
| Loan funding issued in year | 1,700 | 117 |
| Loan repayments in year – capital | (310) | (59) |
| Financial Transactions (FT) funded by SG | 1,390 | 58 |
| Total DEL and FT funded by SG | 31,430 | 27,965 |

The outturn figure for Resource and Capital Departmental Expenditure Limit and Financial Transactions reconciles to the Segmental Reporting in Note 2, page 95.

Jane Morrison-Ross

J Morrison-Ross

Chief Executive and Accountable Officer
 South of Scotland Enterprise
 22 August 2024

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 2024 under the South of Scotland Enterprise Act 2019. The financial statements comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity and notes to the financial statements, including material accounting policy information. 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 2023/24 Government Financial Reporting Manual (the 2023/24 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of the body's affairs as at 31 March 2024 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 2023/24 FReM; and
- have been prepared in accordance with the requirements of the South of Scotland Enterprise Act 2019 and directions made thereunder by the Scottish Ministers.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

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

Risks of material misstatement

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

Responsibilities of the Accountable Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Reporting on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Reporting on other requirements

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

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

Other information

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

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

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

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

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

Pauline Gillen

Pauline Gillen
Audit Director
Audit Scotland
8 Nelson Mandela Place
Glasgow
G2 1BT
23 August 2024



Financial Statements

South of Scotland Enterprise

Statement of Comprehensive Net Expenditure for the year ended 31 March 2024

| | | 2024 | 2023 |
|---|-------|----------------|----------------|
| | Notes | £000 | £000 |
| Expenditure from activities | | | |
| Operating expenditure | 4 | 17,733 | 15,420 |
| Net management expenditure on staff costs | 6 | 9,662 | 10,347 |
| Other management expenditure | 6 | 2,174 | 2,169 |
| Depreciation and impairment | 6 | 594 | 203 |
| | | 30,163 | 28,139 |
| Income | | | |
| Income from activities | 3 | (530) | (564) |
| Other income | 3 | (1,553) | (654) |
| | | (2,083) | (1,218) |
| Net operating expenditure | | 28,080 | 26,921 |
| Other finance charges | 5 | 13 | 102 |
| Interest receivable | 5 | (244) | (155) |
| Net expenditure after interest | | 27,849 | 26,868 |
| Taxation | 7 | 177 | (88) |
| Net expenditure | | 28,026 | 26,780 |
| Other comprehensive (income) / expenditure | | | |
| Items that will not be reclassified to net expenditure | | | |
| Deferred tax arising on revaluation of buildings | 7 | (83) | (10) |
| Actuarial (gain) / losses recognised in retirement benefit scheme | 19 | (510) | (4,416) |
| Revaluation (gain) / loss on land and property | 8 | 10 | 37 |
| Other comprehensive expenditure for the period | | (583) | (4,389) |
| Total comprehensive net expenditure for the period | | 27,443 | 22,391 |

The notes on page 85 to 118 form part of these accounts.

South of Scotland Enterprise

Statement of Financial Position as at 31 March 2024

| | 2024 | | 2023 |
|--|-------|----------------|----------------|
| | Notes | £000 | £000 |
| Non-current assets | | | |
| Property, plant, and equipment | 8 | 5,183 | 3,624 |
| Right-of-use assets | 20 | 199 | 247 |
| Intangible assets in development | 11 | 2,067 | 1,036 |
| Financial assets | 9 | 2,149 | 1,234 |
| Non-financial assets | 10 | - | - |
| Retirement benefit asset | 19 | 241 | - |
| | | 9,839 | 6,141 |
| Current assets | | | |
| Trade and other receivables | 13 | 568 | 1,024 |
| Cash and cash equivalents | 14 | 4,624 | 2,864 |
| Assets classified as held for sale | 15 | 110 | 521 |
| Current financial assets | 9 | 694 | 357 |
| Taxation receivable | 13 | 114 | 66 |
| Deferred tax | 7 | 46 | 140 |
| Total current assets | | 6,156 | 4,972 |
| Total assets | | 15,995 | 11,113 |
| Current liabilities | | | |
| Trade payables and other current liabilities | 17 | (5,326) | (3,471) |
| Lease liabilities | 20 | (63) | (65) |
| Provisions | 16 | - | (40) |
| Total current liabilities | | (5,389) | (3,576) |
| Non-current assets plus current assets less current liabilities | | 10,606 | 7,537 |
| Non-current liabilities | | | |
| Trade payables and other liabilities | 18 | (2,643) | (1,769) |
| Retirement benefit scheme | 19 | - | (285) |
| Lease liabilities | 20 | (127) | (174) |
| Total non-current liabilities | | (2,770) | (2,228) |
| Assets less liabilities | | 7,836 | 5,309 |

South of Scotland Enterprise

Statement of Financial Position as at 31 March 2024

| | | 2024 | 2023 |
|--------------------------|-------|--------------|--------------|
| | Notes | £000 | £000 |
| Taxpayers' equity | | | |
| General reserve | | 3,291 | 1,186 |
| Revaluation reserve | 8 | 386 | 474 |
| Pension reserve | 19 | 4,159 | 3,649 |
| Total equity | | 7,836 | 5,309 |

The notes on page 85 to 118 form part of these accounts.

The Accountable Officer authorised these financial statements for issue on 22 August 2024

Jane Morrison-Ross

J Morrison-Ross

Chief Executive and Accountable Officer

South of Scotland Enterprise

22 August 2024

South of Scotland Enterprise

Statement of Cash Flows for the year ended 31 March 2024

| | | 2024 | 2023 |
|--|-------|-----------------|-----------------|
| | Notes | £000 | £000 |
| Cash flow from operating activities | | | |
| Net expenditure before taxation | | (27,849) | (26,866) |
| Adjustments for: | | | |
| Depreciation | 8,20 | 281 | 203 |
| Property impairment | 8 | 313 | - |
| Provision for expected credit losses | 9 | 147 | 86 |
| Movement in pension | 19 | (16) | 1,731 |
| Gain on sale of land | 8,15 | (38) | - |
| Interest receivable | 5 | (244) | (155) |
| (Increase) / decrease in trade and other receivables | 13 | 402 | 272 |
| Provision for irrecoverable debts and losses | 13 | 6 | (12) |
| Increase / (decrease) in trade and other payables | 17,18 | 984 | (92) |
| Movement in provision | 16 | (40) | 40 |
| Net cash outflow from operating activities | | (26,054) | (24,793) |
| Cash flows from investing activities | | | |
| Proceeds from sale of land | 15 | 191 | - |
| Purchase of intangible asset | 11 | (654) | (973) |
| Payments to acquire property, plant and equipment | 8 | (1,417) | (1,779) |
| Disposal of IT equipment | 8 | - | 12 |
| Interest received in year | 9 | 236 | 155 |
| Loans advanced in year | 9 | (1,700) | (117) |
| Loans repaid in year (capital) | 9 | 310 | 59 |
| Net cash outflow from investing activities | | (3,034) | (2,643) |
| Cash flows from financing activities | | | |
| Grant and Grant in Aid from Scottish Government | | 30,918 | 25,397 |
| Repayment of lease liabilities | 20 | (70) | (47) |
| Net cash from financing activities | | 30,848 | 25,350 |
| Net increase in cash and cash equivalents | 14 | 1,760 | (2,086) |
| Cash and cash equivalents at beginning of period | 14 | 2,864 | 4,950 |
| Cash and cash equivalents at end of period | 14 | 4,624 | 2,864 |

The notes on page 85 to 118 form part of these accounts.

South of Scotland Enterprise

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2024

| | £000 | £000 | £000 | £000 |
|--|-----------------|---------------------|-----------------|-----------------|
| | General Reserve | Revaluation Reserve | Pension Reserve | Total Reserves |
| Opening balance at 1 April 2022 | 1,653 | 511 | (767) | 1,397 |
| Net expenditure during the year | (26,780) | - | - | (26,780) |
| (Loss) / gain on revaluation of property, plant, and equipment | - | (37) | - | (37) |
| Actuarial gain / (loss) | - | - | 4,416 | 4,416 |
| Deferred tax current year credit | 10 | - | - | 10 |
| Total recognised income and expense | (26,770) | (37) | 4,416 | (22,391) |
| Grant in Aid from Scottish Government* | 26,303 | - | - | 26,303 |
| Closing balance at 31 March 2023 | 1,186 | 474 | 3,649 | 5,309 |
| Opening balance at 1 April 2023 | 1,186 | 474 | 3,649 | 5,309 |
| Net expenditure during the year | (28,026) | - | - | (28,026) |
| (Loss) / gain on revaluation of property, plant, and equipment | - | (10) | - | (10) |
| Actuarial gain / (loss) | - | - | 510 | 510 |
| Deferred tax current year credit | 83 | - | - | 83 |
| Transfer between reserves | 78 | (78) | - | - |
| Total recognised income and expense | (27,865) | (88) | 510 | (27,443) |
| Grant in Aid from Scottish government* | 29,970 | - | - | 29,970 |
| Closing balance at 31 March 2024 | 3,291 | 386 | 4,159 | 7,836 |

***Grant in Aid (GIA)** funding from SG in the general reserve does not include cash received for Financial Transactions this funding is recorded under current and non-current liabilities (Note 17&18).

| Grant in aid summary | 2024 | 2023 |
|---|---------------|---------------|
| | £000 | £000 |
| Recognised in taxpayers' equity | 29,970 | 26,303 |
| GIA prior year creditor | - | (1,200) |
| FT written off (non-cash) – prior year loan written off | (200) | - |
| FT funding received | 1,148 | 294 |
| GIA from SG recognised in cashflow | 30,918 | 25,397 |

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 2023/24 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", page 92.

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

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

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

Going Concern

The Board and Accountable Officer have considered the resource budget for 2024/25, comprising Grant in Aid and 'non-cash' budget provision, supplemented by SOSE's business income from rental properties and deem this an adequate resource to continue operational existence to undertake the aims as set out for SOSE by Scottish Government in our Letter of Guidance and in our Operating Plan. Considering available budget together with SOSE's closing Statement of Financial Position as at 31 March 2024 which records net assets of £7.836m (2022/23 £5.309m), the annual financial statements have been prepared on a "going concern" basis.

Funding

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

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

Property, plant, and equipment

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

- Land and Property

Property for commercial lease and SOSE's own use and land held for or under development, are held at fair value and valued annually in accordance with The Royal Institution of Chartered Surveyors Valuation Standards 2020 (Red Book) and specifically the basis valuation for IFRS.

During the year Property Board chose to update the accounting policy and moved from triennial to annual valuations.

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

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

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

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

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

Depreciation is charged to the Statement of Comprehensive Net Expenditure on the revalued amount of each property less the estimated residual value on a straight-line basis over their expected useful lives of up to a maximum of 50 years. Where an item of property has significant components, the components are depreciated separately, in accordance with their useful lives. The useful lives of property assets are determined in consultation with Chartered Surveyors. The properties' residual values and useful lives are reviewed, and adjusted if appropriate, on an annual 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 and land under development are shown at cost. Once complete these assets are reclassified into land and buildings and are revalued at fair value. Increases or decreases in value at the time of the first professional revaluation are accounted for on the same basis as other revaluation movements noted above. Depreciation is only applied once the asset has been transferred out of assets under construction.

- **Non property assets**

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

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

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

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

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

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

- **Subsequent expenditure**

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

- **Impairment**

Assets that have an indefinite useful life, for example land, are not subject to depreciation or amortisation and are subject to an external valuation on an annual basis.

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

Impairment losses in respect of land, property, plant, and equipment are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value

less costs of disposal and value in use. Where an asset is not held for the purpose of generating cash flows, value in use is assumed to equal the cost of replacing the service potential provided by the asset, unless there has been a reduction in service potential. Non-financial assets that suffer impairment are reviewed for possible reversal of the impairment at each subsequent reporting date.

Intangible Assets in Development

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

Non-current assets held for sale

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

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

Non-current assets held for sale are not depreciated.

Financial assets – loans

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

Financial assets – trade and other receivables

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

Financial asset – expected credit loss

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

recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

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

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

Cash and cash equivalents

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

Trade and other payables

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

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

Provisions

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

Income

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

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

Income is stated net of VAT where applicable.

Irrecoverable income

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

Other grants funding

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

Grants

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

Taxation

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

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

VAT

Income is accounted for net of output VAT.

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

Contingent Asset

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

Employee benefits

- Retirement benefits

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

The Scheme is accounted for on a defined benefit basis under IAS 19 Employee Benefits. Assets and liabilities of the schemes are held separately from those of the entity. The schemes assets are measured using market values and the

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

The expected cost of providing staff pensions to employees contributing to the schemes is recognised in the income statement on a systematic basis over the expected average remaining lives of members of the funds in accordance with IAS 19 Employee Benefits and recognises retirement benefits as the benefits are earned and not when they are due to be paid. The income statement also includes the net impact of returns on the schemes' assets and interest on the schemes' liabilities, which is disclosed as other finance income. A pension scheme asset is recognised on the balance sheet only to the extent the surplus may be recovered by reduced further contributions or to the extent that the trustees have agreed a refund from the scheme at the balance sheet date. A pension scheme liability is recognised to the extent that the entity has a legal or constructive obligation to settle the liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the statement of comprehensive income in the period in which they arise.

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

- [Short term employee benefits](#)

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

- [Salary sacrifice](#)

SOSE operate a salary sacrifice electric vehicle scheme. IFRS16 is not applicable as the risk and reward from the leased asset belongs to the employee entering the agreement. Therefore, SOSE does not have a right of use asset to recognise. The costs are reported through staff cost under salaries and included in the Remuneration Report, page 66. SOSE is responsible for making the sacrificed pay deduction and facilitating payment to the leasing company. An element of SOSE's cost saving incurred as a result of the salary sacrifice is passed back to the employee through a reduction in the cost of the lease, included in the Staff Report, page 68.

Leases – IFRS 16

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

In 2022/23 this was a significant change in lessee accounting. SOSE transferred applicable leases brought forward to report under IFRS 16 (Electric Vehicles). On transition at 1 April 2022 SOSE, as lessee, applied IFRS 16 retrospectively

with the cumulative effect of initial application recognised at that date. The cumulative effect of initial application was an adjustment in 2022/23 to the opening balance of taxpayer equity.

New contracts are reviewed to determine when it contains a lease. Where identified SOSE will recognise a right-of-use asset and a corresponding lease liability for lease arrangements where SOSE is the lessee. The lease liability is initially measured at the fair value of the lease payments that are not paid at the commencement date. Right-of-use assets have not been measured at the discount rate of 0.95% as outlined in the Public Expenditure System notification (PES (2023) 10) due to being an immaterial change.

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

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

Lease details including payments variations, extension and termination options are included in Note 20, page 111.

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

Critical accounting estimates and judgements

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

Judgements deal with the application of accounting policies. SOSE also uses judgements and assumptions whilst developing estimates. Estimates are the monetary amounts calculated when financially measuring uncertainty.

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

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

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

Accounting judgement has been used to form a basis to calculate the expected credit loss of Financial Assets and assessing the risk associated with each client's loan. Management considers known financial information about the companies and recognise a risk stage deemed appropriate for each client to ensure a prudent credit loss provision.

Management estimate probability default percentages utilising limited historic trend information as this is only SOSE's third year issuing loans. Estimates are adjusted where security is in place against the loan.

Sensitivity analysis of the current loan book:

| Total Loan Value | Highest Value Loan | Lowest Value Loan |
|-----------------------|--------------------|----------------------------------|
| £3.337m | £0.809m | £0.028m |
| Change | Amount of change | Monetary effect on ECL provision |
| Change in provision % | 5% | +/- £0.111m |
| Change in provision % | 10% | +/- £0.222m |
| Value in security | With no security | + £0.236m |

Valuation of non-current assets

Each year SOSE commissions a valuation of its land and buildings. The valuation report has been used to inform the measurement of assets in these financial statements. The valuer has continued to exercise professional judgement in preparing the valuation and, therefore, this is the best information available at 31 March 2024 and can be relied upon.

Sensitivity analysis of land and building value:

| Land And Buildings Value | Impact of 5% change | Impact of 10% change |
|--------------------------|---------------------|----------------------|
| £2.295m | + / - £0.114m | + / - £0.229m |

Retirement benefit scheme

The present value of the retirement benefit scheme 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 scheme.

Through the advice received from Hymans Robertson who act as the pension actuaries, 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 scheme. 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 scheme.

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

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

| Change in assumptions at 31 March * | 2023/24 | | 2022/23 | |
|--|--|----------------------------------|--|----------------------------------|
| | 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% | 313 | 3% | 171 |
| 0.1% increase in the salary increase rate | 0% | 15 | 0% | 21 |
| 0.1% increase in the pension increase rate | 3% | 304 | 2% | 153 |
| 1 year increase in member life expectancy | 4% | 465 | 4% | 245 |

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 scheme to significant actuarial assumptions the same method has been applied as when calculating the scheme obligations recognised in the statement of financial position.

Effects of accounting estimates and judgements

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

The Statement of Financial Position of SOSE at 31 March 2024 includes the following items for which there is significant risk of material adjustment in the forthcoming financial year:

| Item | Uncertainty | Effect if results differ from assumptions |
|--------------------|---|--|
| LGPS Pension Asset | Estimation of the net asset to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which pay is projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. SOSE, through its pension provider Scottish Borders Council has engaged the services of Hymans Robertson actuaries to provide expert advice about the assumptions to be applied. | The impact of changes in assumptions used to calculate the pension asset has been assessed by the actuaries as described in Note 19, page 107. |

2. Segmented Information

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

Segmental Information

For the period ending 31 March 2024

| | 2024 | 2023 |
|--|---------------|---------------|
| | £000 | £000 |
| Expenditure: | | |
| Grants, projects and strategic activity - revenue | 3,440 | 4,023 |
| Grants, projects and strategic activity - capital* | 14,258 | 11,846 |
| Financial transactions - paid in year | 1,700 | 117 |
| Total project and programme expenditure | 19,398 | 15,986 |
| Financial transactions - repaid in year | (310) | (59) |
| Directorate expenditure | | |
| Place and Enterprise | 7 | 6 |
| Finance and Corporate Resources | 691 | 920 |
| Strategy & Partnerships | 80 | 124 |
| Net Zero | 122 | 31 |
| Total directorate expenditure | 900 | 1,081 |

* Capital grants, projects and strategic activity includes;

- £0.012m - (2022/23 - £0.059m) capital additions for Coast to Coast project
- £1.016m - (2022/23 - £1.386m) project spend on the Mountain Bike Innovation Centre

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

Segmental Information continued

For the period ending 31 March 2024

| | 2024 | 2023 |
|---|----------------|----------------|
| | £000 | £000 |
| Other expenditure: | | |
| Provision for expected credit loss | 147 | 87 |
| Payroll expenditure | 9,542 | 8,570 |
| Board meeting and Board Member costs | 169 | 161 |
| Estate expenditure & facilities | 888 | 763 |
| Travel | 95 | 72 |
| Collaborative partnerships | 1,218 | 1,115 |
| Tangible asset additions | 809 | 327 |
| Intangible asset additions | 1,030 | 973 |
| Lease capital additions (IFRS 16) | 21 | 262 |
| Total other expenditure: | 13,919 | 12,330 |
| Total gross expenditure: | 33,907 | 29,338 |
| Income: | | |
| Grants and other income | (1,524) | (654) |
| Estates income | (518) | (564) |
| Bank interest | (84) | (13) |
| Loan interest income | (160) | (142) |
| Proceeds for sale of land | (191) | - |
| Total other income: | (2,477) | (1,373) |
| Net expenditure funded by core SG income | 31,430 | 27,965 |

3. Income from operating activities

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

| | 2024 | 2023 |
|---|--------------|--------------|
| | £000 | £000 |
| Income from activities | | |
| Property rental | 491 | 564 |
| Other income | 1 | - |
| Gain on sale of land | 38 | - |
| | 530 | 564 |
| Other income | | |
| Grants income | 97 | 62 |
| Other funding contributions* | 1,456 | 592 |
| | 1,553 | 654 |
| Total income from operating activities | 2,083 | 1,218 |

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

4. Expenditure on operating activities

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

| | 2024 | 2023 |
|--|---------------|---------------|
| | £000 | £000 |
| Expenditure from activities | | |
| Project expenditure | 16,670 | 14,424 |
| Rental properties expenditure* | 505 | 512 |
| | | |
| Operating activities | | |
| Directorate expenditure | 558 | 484 |
| Total expenditure on operating activities | 17,733 | 15,420 |

*Etrick Riverside, Selkirk and Carmont in Dumfries are occupied by both SOSE and other 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 | 2024 | 2023 |
|---|--------------|--------------|
| | £000 | £000 |
| Interest receivable | | |
| Loan interest receivable | (160) | (142) |
| Bank interest receivable | (84) | (13) |
| Total interest receivable | (244) | (155) |
| | | |
| Other finance (income) / charges | | |
| Interest income on retirement benefit assets | (325) | (143) |
| Interest on retirement benefit scheme obligations | 338 | 245 |
| Total other finance charges | 13 | 102 |

6. Administration and management charges

| | 2024 | 2023 |
|---|---------------|---------------|
| | £000 | £000 |
| Continuing operations | | |
| Staff and board member salaries* ¹ | 9,617 | 8,670 |
| IAS 19 holiday accrual | 74 | 48 |
| IAS 19 adjustment in relation to pension service costs | (29) | 1,629 |
| Net management expenditure on staff costs | 9,662 | 10,347 |
| Travel and subsistence – board members | 12 | 7 |
| Travel and subsistence – staff | 15 | 10 |
| Audit fees* ² | 168 | 177 |
| Movement in provision for irrecoverable trade debts | 6 | (12) |
| Movement in expected credit loss provision | 147 | 87 |
| Other admin costs | 1,826 | 1,900 |
| Other management expenditure | 2,174 | 2,169 |
| Depreciation of fixed assets | 212 | 164 |
| Depreciation of right of use assets | 69 | 39 |
| Impairment of land and property (non-current and held for sale) | 313 | - |
| Depreciation and impairment | 594 | 203 |
| Total administration and management charges | 12,430 | 12,719 |

*Details of staff and board members salaries' can be found in the Remuneration and Staff Report, page 68

² Includes fees for external audit services provided by Audit Scotland, £117,058 (2021/22 £102,197)

7. Taxation

| | 2024 | 2023 |
|--|-------------|-------------|
| | £000 | £000 |
| Taxation per statement of comprehensive net expenditure | | |
| Current tax on profits for the year | - | - |
| Deferred tax | | |
| Origination and reversal of timing differences | 177 | 22 |
| Prior period adjustment | - | (117) |
| Effect of changes in tax rates | - | 7 |
| Total deferred tax | 177 | (88) |
| Tax per statement of comprehensive net expenditure | 177 | (88) |
| Other comprehensive (income) / expenditure | | |
| Deferred tax current year charge | (83) | (10) |
| Tax per other comprehensive (income) / expenditure | (83) | (10) |
| | 2024 | 2023 |
| | £000 | £000 |
| Current tax on profits for the year | | |
| Taxable profit for the period | (770) | (395) |
| Tax on profit at standard UK tax rate of 25% (2022/23-19%) | (193) | (75) |
| Effects of: | | |
| Expenses not deductible | 129 | 63 |
| Gains / rollover release | 29 | - |
| Prior period adjustment | - | (117) |
| Tax rate changes | - | 7 |
| Deferred tax not recognised | 212 | 34 |
| Unrealised capital loss on land & buildings | - | - |
| Other | - | - |
| Tax charge for the period | 177 | (88) |

Corporation tax is chargeable at 25% on SOSE's profit on business activities.

7. Taxation (continued)

| | 2024 | 2023 |
|--|-----------|------------|
| | £000 | £000 |
| Statement of financial position | | |
| Deferred tax asset at 1 April | 140 | 43 |
| Adjustment in respect of prior years | - | 117 |
| Deferred tax charge to income statement for year | (177) | (30) |
| Deferred tax charge in OCI for year | 83 | 10 |
| Deferred tax asset at 31 March | 46 | 140 |

| | 2024 | 2023 |
|--|------------|-----------|
| | £000 | £000 |
| Deferred tax not recognised | | |
| Deferred tax not recognised in year | 212 | 34 |
| Deferred tax not recognised at 31 March | 212 | 34 |

8. Property, plant and equipment

SOSE revalue land and buildings on an annual basis, the most recent external valuation was undertaken for year ending 31 March 2024 conducted by Montague Evans LLP, Chartered Surveyors.

The revaluation resulted in the following movements:

- a decrease of £196k to land
- a decrease of £45k to the building in Gretna
- an increase of £25k to the building in Annan
- a decrease of £175k to the building in Selkirk.

A total impairment of £296k was recognised after adjusting against the relating revaluation reserves and prior impairments recognised.

Held for sale assets

- Two plots of land have been transferred back to non-current assets no longer meeting the definition to be held for sale assets £342k
- One plot of land has been transferred to held for sale as the asset with the sale anticipated to complete within the next year £70k.

Disposal during the year

- Land was sold during the year for proceeds £35k, resulting in a gain on sale of £3k and revaluation reserve reclass £30k.

8. Property, plant, and equipment (continued)

| | Land | Land under development | Buildings | Assets under construction | IT Equip | Fixtures & fittings | Plant & Equipment | Total |
|---------------------------|--------------|------------------------|--------------|---------------------------|--------------|---------------------|-------------------|--------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost and valuation | | | | | | | | |
| At 1 April 2022 | 669 | - | 1,070 | - | 286 | 52 | - | 2,077 |
| Additions | - | - | - | 1,386 | 230 | 152 | 11 | 1,779 |
| Disposal | - | - | - | - | (167) | - | - | (167) |
| Revaluation | (38) | - | - | - | - | - | - | (38) |
| Reclassification* | 97 | - | - | 25 | - | - | - | 122 |
| At 31 March 2023 | 728 | - | 1,070 | 1,411 | 349 | 204 | 11 | 3,773 |
| Depreciation | | | | | | | | |
| At 1 April 2022 | - | - | - | - | (134) | (7) | - | (141) |
| Charged in year | - | - | (38) | - | (101) | (24) | (1) | (164) |
| Disposal | - | - | - | - | 156 | - | - | 156 |
| Eliminated on disposal | - | - | - | - | - | - | - | - |
| At 31 March 2023 | - | - | (38) | - | (79) | (31) | (1) | (149) |
| Net book value | | | | | | | | |
| At 31 March 2023 | 728 | - | 1,032 | 1,411 | 270 | 173 | 10 | 3,624 |
| Cost and valuation | | | | | | | | |
| At 1 April 2023 | 728 | - | 1,070 | 1,411 | 349 | 204 | 11 | 3,773 |
| Additions | 492 | 146 | - | 1,013 | 85 | 97 | 3 | 1,836 |
| Disposal | (32) | - | - | - | - | - | - | (32) |
| Revaluation | (187) | - | (195) | - | - | - | - | (382) |
| Reclassification* | 272 | - | - | - | - | - | - | 272 |
| At 31 March 2024 | 1,273 | 146 | 875 | 2,424 | 434 | 301 | 14 | 5,467 |
| Depreciation | | | | | | | | |
| At 1 April 2023 | - | - | (38) | - | (78) | (32) | (1) | (149) |
| Charged in year | - | - | (38) | - | (116) | (54) | (3) | (211) |
| Disposal | - | - | - | - | - | - | - | - |
| Eliminated on disposal | - | - | 76 | - | - | - | - | 76 |
| At 31 March 2024 | - | - | - | - | (194) | (86) | (4) | (284) |
| Net book value | | | | | | | | |
| At 31 March 2024 | 1,273 | 146 | 875 | 2,424 | 240 | 215 | 10 | 5,183 |

*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 - 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.

| | 2024 | 2023 |
|--|--------------|--------------|
| | £000 | £000 |
| Cost | | |
| Opening balance 1 April | 1,938 | 2,083 |
| Additions | 1,700 | 117 |
| Repayments | (461) | (201) |
| Disposals | - | - |
| Amortisation adjustment | 160 | 142 |
| Reclassification | - | - |
| Written off* | - | (203) |
| Closing balance 31 March | 3,337 | 1,938 |
| Expected credit loss | | |
| Opening balance 1 April | 347 | 464 |
| Increase in provision | 147 | 86 |
| Utilised in year | - | (203) |
| Closing balance 31 March | 494 | 347 |
| Net book value | | |
| Net book value at 31 March | 2,843 | 1,591 |
| Analysis of loans and receivables | | |
| Due within 1 year | 694 | 357 |
| Due over 1 year | 2,149 | 1,234 |

* A loan balance for £203k was fully provided for in 2021/22 when the company went into administration and written off in 2022/23.

10. Non-Financial Assets

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

| | 2024 | 2023 |
|---------------------------------|----------|----------|
| | £000 | £000 |
| Opening balance 1 April | - | 25 |
| Additions | - | - |
| Reclassification | - | (25) |
| Closing balance 31 March | - | - |

11. Intangible Assets in Development

SOSE continued work on bespoke software development, MYSOSE, a Customer Relationship Management (CRM) system scheduled for completion in 2024/25. The development costs have been accounted for as an Intangible in Development.

| | 2024 | 2023 |
|---------------------------------|--------------|--------------|
| | £000 | £000 |
| Opening balance 1 April | | |
| At 1 April | 1,036 | 63 |
| Additions | 1,031 | 973 |
| Closing balance 31 March | 2,067 | 1,036 |

12. Contingent Assets

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

13. Trade and Other Receivables

| | 2024 | 2023 |
|--|------------|--------------|
| | £000 | £000 |
| Trade receivables | 92 | 754 |
| Allowance for credit loss | (9) | (3) |
| Prepayments | 422 | 134 |
| Other receivables | 63 | 139 |
| Taxation (VAT) | 114 | 66 |
| Total trade and other receivables | 682 | 1,090 |

| | 2024 | 2023 |
|--|------------|--------------|
| | £000 | £000 |
| Analysis of trade and other receivables within boundaries for whole government accounts | | |
| Balances with local authorities | 38 | 390 |
| Balance with similar public bodies | 70 | 34 |
| Balances with other central government bodies | 139 | 218 |
| Balances with bodies external to government | 435 | 448 |
| Total trade and other receivables | 682 | 1,090 |

14. Cash and Cash Equivalents

| | 2024 | 2023 |
|---|--------------|--------------|
| | £000 | £000 |
| Opening balance 1 April | 2,864 | 4,950 |
| Net change in cash and cash equivalent balances | 1,760 | (2,086) |
| Closing balance 31 March | 4,624 | 2,864 |

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, accounted for as a current asset at the lower of carrying amount or fair value.

| | Land | Buildings | Total |
|--|------------|-----------|------------|
| | £000 | £000 | £000 |
| Opening balance 31 March 2022 | 618 | - | 618 |
| Transfer to/(from) assets held for resale | (97) | - | (97) |
| Other costs associated with sale of assets | - | - | - |
| Disposals of non-current assets held for sale* | - | - | - |
| Closing balance 31 March 2023 | 521 | - | 521 |
| Opening balance 31 March 2023 | 521 | - | 521 |
| Transfer to/(from) assets held for resale | (272) | - | (272) |
| Other costs associated with sale of assets | - | - | - |
| Revaluation of held for sale | (17) | - | (17) |
| Disposals of non-current assets held for sale | (122) | - | (122) |
| Closing balance 31 March 2024 | 110 | - | 110 |

- Disposal - During the year plots at Cargenbridge Business Park and Annan Industrial Park were sold during the year for proceeds £155.5k, resulting in a gain on sale of £35k and revaluation reserve reclass £48k
- Revaluation - One plot recognised in held for sale has been impaired in year £17k being recognised at the fair value, the lower of the IFRS 5 definition
- Reclassification - One plot has been classified to held for sale £70k and two plots previously classified as held for sale have been transferred back to non-current assets no longer meeting the IFRS 5 definition £342k
- Closing balance - Two commercial land plots under offer at Cargenbridge Business Park meet the definition of IFRS 5 and accordingly have been classified as held for resale, £110k (2022/23 £521k).

16. Provisions

SOSE recognises a provision where an event is probable, only recognising a liability once certain. In 2023/24 a provision was recognised for an ongoing tribunal and associated costs incurred.

| | 2024 | 2023 |
|---------------------------------|----------|-----------|
| | £000 | £000 |
| Opening balance 1 April | 40 | - |
| Increase during the year | - | 40 |
| Provision utilised in year | (40) | - |
| Closing balance 31 March | - | 40 |

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

| | 2024 | 2023 |
|---|--------------|--------------|
| | £000 | £000 |
| Trade payables | 2,311 | 1,573 |
| Accruals | 2,295 | 1,218 |
| Deferred income | 43 | 78 |
| Financial transaction funding due to SG | 677 | 602 |
| Trade payables and other current liabilities | 5,326 | 3,471 |
| Taxation payable | - | - |
| Total trade payables and other payables: falling due within one year | 5,326 | 3,471 |
| Analysis of trade and other payables within boundaries for whole government accounts | | |
| Balances with central government bodies | 680 | 784 |
| Balances with local authorities | 870 | 109 |
| Balances with similar public bodies | 707 | 316 |
| | 2,257 | 1,209 |
| Balances with bodies external to government | 3,069 | 2,262 |
| Total trade payables and other payables: falling due within one year | 5,326 | 3,471 |

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

| | 2024 | 2023 |
|---|--------------|--------------|
| | £000 | £000 |
| Financial transaction funding due to SG | 2,643 | 1,769 |
| Total trade payables and other payables falling after one year | 2,643 | 1,769 |

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

| | 2024 | 2023 |
|---|--------------|--------------|
| | £000 | £000 |
| Analysis of trade and other payables within boundaries for whole government accounts | | |
| Balances with central government bodies | 2,643 | 1,769 |
| Total trade payables and other payables falling after one year | 2,643 | 1,769 |

19. Retirement Benefit Scheme

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 21.6% (2022/23; 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 2023 and the results have been prepared by Hymans Robertson LLP using the projected unit credit method of valuation and roll-forward to 31 March 2026. The triennial funds valuations establish the level of employee and employer contributions required to meet the future obligations of the scheme.

Valuation

The valuation at 31 March 2024 indicates an asset of £1.478m (2022/23; £0.285m liability) in the SOSE pension fund. However due to asset ceiling considerations, where an entity must restrict the amount of surplus recognised, as required by IAS 19 and IFRIC 14 the value in the Statement of Financial Position is restricted to £0.241m (see page 110 for further details on the asset ceiling calculation).

The required employer contribution rate during 2023/24 was 21.6% on pensionable salaries, decreasing to 19.4% on 1 April 2024 due to the surplus recognised. In 2024/25 employer's contributions to LGPS are expected to be £1.379m.

An allowance for the following has been included within the 31 March 2023 funding valuation:

- GMP equalisation / indexation treatment
- McCloud treatment

The major assumptions used by the actuary are summarised below:

| Assumptions (% per annum) | 31 March 2024 | 31 March 2023 |
|--------------------------------|---------------|---------------|
| Rate of salary increases | 3.45% | 3.65% |
| Rate of pension increase (CPI) | 2.75% | 2.95% |
| Discount rate | 4.85% | 4.75% |

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

| Assets expected rate of return | 31 March 2024 | 31 March 2023 |
|--|---------------|---------------|
| | £000 | £000 |
| Equity securities | 1,971 | 889 |
| Real estate | 1,560 | 703 |
| Investment funds and unit trusts | 9,033 | 4,073 |
| Cash and cash equivalents | 404 | 182 |
| Fair value of plan assets | 12,968 | 5,847 |
| Present value of scheme liabilities | (11,490) | (6,132) |
| Net pension asset / (liability) | 1,478 | (285) |

Retirement benefit scheme

| Analysis of the amount charged to SOCNE | 31 March 2024 | 31 March 2023 |
|---|-----------------|----------------|
| | £000 | £000 |
| Current service cost | 1,507 | 2,971 |
| Interest income on retirement benefit assets | (325) | (143) |
| Interest on retirement benefit scheme obligations | 338 | 245 |
| Net pension scheme expense | 1,520 | 3,073 |
| Analysis of the amount recognised in SOCEs | | |
| Return on assets excluding net interest | (289) | 356* |
| Other experience losses arising on the scheme liabilities | (114) | 518 |
| Changes in demographic assumptions underlying the present value of scheme liabilities | (375) | (50) |
| Changes in financial assumptions underlying the present value of scheme liabilities | (969) | (5,240) |
| Asset ceiling restriction | 1,237 | - |
| Defined benefit cost recognised in SOCE | (510) | (4,416) |
| Reconciliation of defined benefit scheme | | |
| Opening of defined benefit scheme | 6,132 | 7,230 |
| Movement in year: | | |
| Current service costs | 1,507 | 2,971 |
| Interest cost on defined benefit scheme | 338 | 245 |
| Contributions from members | 495 | 458 |
| Benefits paid | (42) | - |
| Changes in assumptions ¹ | (1,344) | (5,290) |
| Other experience | 4,404 | 518 |
| Closing of defined benefit scheme | 11,490 | 6,132 |
| Reconciliation of fair value of plan assets | | |
| Opening fair value of plan assets | (5,847) | (4,260) |
| Movement in year: | | |
| Contributions from members | (495) | (458) |
| Benefits paid | 42 | - |
| Contributions by employer | (1,536) | (1,342) |
| Interest income on plan assets | (325) | (143) |
| Other experience ² | (4,518) | - |
| Return on plan assets ³ | (289) | 356 |
| Closing fair value of plan assets | (12,968) | (5,847) |
| Asset ceiling adjustment | 1,237 | - |
| Net pension (asset) / liability | (241) | 285 |

Retirement benefit scheme (table note)

*¹ Changes in assumptions in 2022/23 were materially affected by the corporate bond yield rising over the period, resulting in an increase of 2% in the discount rate assumption, leading to a gain £4.630m which is included in the overall actuarial gain of £4.416m.

*² Change in other experience is principally as a result of the triennial funding valuation.

*³ Return on plan assets includes actuals adjustment of £2k (2022/23 £34k), for the movement between estimated and actual figures.

Asset ceiling

To calculate the asset ceiling, assumptions were made on the present value of the economic benefits available in the form of refunds from the plan and reductions in future contributions to the plan.

- No economic benefit has been recognised with regards to a refund as the employer has no unconditional right to a refund from the Fund.
- The economic benefit associated with a reduction in future contributions, recognising a minimum funding requirement for future service, has been estimated as the present value of employer future service costs less the present value of future employer contributions.

SOSE has recognised the economic benefit available as a reduction in future contributions at £241,000 in the Statement of Financial Position by calculating the present value of employer future service costs of £105.601m less the present value of employer future contributions of £105.360m.

Expenditure recognised in the statement of comprehensive net expenditure

| | 2024 | 2023 |
|---|------|-------|
| | £000 | £000 |
| Net management expenditure on staff costs | (29) | 1,629 |
| Other finance charges | 13 | 102 |

The total gain amount recognised in the statement of other comprehensive net income / expenditure in respect of the actuarial gain is £0.510m including asset ceiling adjustment £0.986k and a prior year adjustment for actuals of £0.002m. (2022/23 £0.034m)

Mortality

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

| | 2024 | | 2023 | |
|--------------------|------------|------------|------------|------------|
| | Male | Female | Male | Female |
| Current pensioners | 19.9 years | 23.3 years | 20.3 years | 23.0 years |
| Future pensioners* | 22.9 years | 25.6 years | 21.1 years | 24.9 years |

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

Sensitivity around key assumptions for retirement benefit scheme are based in part on current market conditions. Additional information is disclosed in Note 1, page 93.

20. Right-of-Use Assets and Leases

- SOSE has a fleet of leased electric vehicles for staff to make business journeys with zero emissions
- In 2022/23 SOSE entered into a new 3-year lease for office space in Eyemouth. The terms of the lease offer annual break points, no extension option and 3 months' notice to terminate. Annual rent reviews will be based around RPI increases (upward only)
- In October 2022 SOSE entered a new 5-year lease for office space in Carmont House as the main lease holder. The terms of the lease offer annual break points, no extension option and 6 months' notice to terminate. Rent reviews are negotiated annually. An additional space was added to the lease in 2023/24.

| Right-of-use assets | 2023/24 | | | 2022/23 | | |
|-----------------------------------|-------------|-------------|--------------|-------------|-------------|-------------|
| | Property | Vehicles | Total | Property | Vehicles | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost | | | | | | |
| Opening balance 1 April | 262 | 24 | 286 | - | - | - |
| Transition to IFRS 16 | - | - | - | - | 24 | 24 |
| Additions in year | 16 | 5 | 21 | 262 | - | 262 |
| Closing balance 31 March | 278 | 29 | 307 | 262 | 24 | 286 |
| | | | | | | |
| Depreciation | | | | | | |
| Opening balance 1 April | (28) | (11) | (39) | - | - | - |
| Charged in year | (57) | (12) | (69) | (28) | (11) | (39) |
| Closing balance 31 March | (85) | (23) | (108) | (28) | (11) | (39) |
| | | | | | | |
| ROU asset carrying amount | | | | | | |
| Closing balance 31 March | 193 | 6 | 199 | 234 | 13 | 247 |
| | | | | | | |
| Lease Liabilities | | | | | | |
| Opening balance 1 April | 226 | 13 | 239 | - | - | - |
| Additions in year | 16 | 5 | 21 | 262 | 24 | 286 |
| Payments in year | (58) | (12) | (70) | (36) | (11) | (47) |
| Lease liabilities 31 March | 184 | 6 | 190 | 226 | 13 | 239 |
| | | | | | | |
| Lease liabilities < 1 Year | 57 | 6 | 63 | 54 | 11 | 65 |
| Lease liabilities > 1 Year | 127 | - | 127 | 172 | 2 | 174 |
| Lease liabilities 31 March | 184 | 6 | 190 | 226 | 13 | 239 |

Future lease payments – IFRS 16

| | 2023/24 | | | 2022/23 | | |
|---------------------------------------|------------|------------------|------------|------------|------------------|------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| | Property | Electric Vehicle | Total | Property | Electric Vehicle | Total |
| Obligations under IFRS16 lease | | | | | | |
| Within one year | 57 | 6 | 63 | 54 | 11 | 65 |
| Within two to five years | 127 | - | 127 | 172 | 2 | 174 |
| In over five years | - | - | - | - | - | - |
| Total lease obligation | 184 | 6 | 190 | 226 | 13 | 239 |

Future minimum rentals receivable under non-cancellable operating leases

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

| | At 31 March 2024 | At 31 March 2023 |
|--|------------------|------------------|
| | £000 | £000 |
| | Property | Property |
| Receivable under operating and similar leases | | |
| Within one year | 134 | 141 |
| Within two to five years | 295 | 34 |
| Over five years | - | 3 |
| Total receivable under operating and similar leases | 429 | 178 |

21. Commitments

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

| Commitments - 31 March 2024 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | Total |
|------------------------------------|--------------|--------------|--------------|------------|----------|---------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Programme commitments: | | | | | | |
| Capital commitments | 7,112 | 3,289 | 860 | 690 | - | 11,951 |
| Revenue commitments | 679 | 100 | 100 | 100 | - | 979 |
| Financial transaction commitments | 100 | - | - | - | - | 100 |
| Total programme commitments | 7,891 | 3,389 | 960 | 790 | - | 13,030 |
| Strategic commitments: | | | | | | |
| Capital commitments | 794 | 73 | 64 | 64 | - | 995 |
| Revenue commitments | 591 | 4 | 4 | - | - | 599 |
| MTBIC commitments* | 373 | - | - | - | - | 373 |
| Total strategic commitments | 1,758 | 77 | 68 | 64 | - | 1,967 |
| Total commitments | 9,649 | 3,466 | 1,028 | 854 | - | 14,997 |

*MTBIC commitments have been updated to reflect the commitments in advance of full business case approval

Material future years commitments:

- Tweed Forum Ltd £3.830m
- Scottish Borders Council-Borders Innovation Park £2.164m
- Forest Holidays £1.128m
- The Grahamslaw Distillery Hold Co Limited £1.013m
- Lockerbie Old School Community Hub £1.110m
- South of Scotland Destination Alliance (SSDA) £0.543m

| Commitments - 31 March 2023 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | Total |
|------------------------------------|---------------|--------------|--------------|------------|------------|---------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Programme commitments: | | | | | | |
| Capital commitments | 7,179 | 2,006 | 1,019 | 859 | 690 | 11,753 |
| Revenue commitments | 2,231 | 1,306 | 100 | 100 | 100 | 3,837 |
| Financial transaction commitments | 1,648 | - | - | - | - | 1,648 |
| Total programme commitments | 11,058 | 3,312 | 1,119 | 959 | 790 | 17,238 |

| Commitments - 31 March 2023 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | Total |
|------------------------------------|---------------|---------------|--------------|--------------|------------|---------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Strategic commitments: | | | | | | |
| Capital commitments | 1,842 | 647 | 65 | 65 | 64 | 2,683 |
| Revenue commitments | 349 | 4 | 4 | 4 | - | 361 |
| MTBIC commitments | 7,586 | 6,938 | 1,442 | - | - | 15,966 |
| Total strategic commitments | 9,777 | 7,589 | 1,511 | 69 | 64 | 19,010 |
| Total commitments | 20,835 | 10,901 | 2,630 | 1,028 | 854 | 36,248 |

22. Transactions involving Board Members' and Directors Registered Interests

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

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

| Business | Amount approved in year | Amount paid (received) in year | Nature of transaction | Purpose | Board member | Interest |
|---------------------------------|-------------------------|--------------------------------|---|--|-----------------|------------------------|
| Censis Technology Solutions Ltd | (£180,930) | (£180,930) | Bank receipt for income recognised in 2022/23 | Contribution to Civitech projects | Paul Winstanley | CEO |
| Natural Power Services Limited | £90,750 | - | Grant approval | Expansion of control centre operations | J Sainsbury | Non-Executive Director |
| Scotmas | (£128,420) | (£128,420) | Loan/interest repayments | Repayment of loan issued in 2021/22 | A Cameron | CEO |

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

- Biosphere
- Borders College
- Crichton Digital Upgrade
- Economic Development Association Scotland (EDAS)
- Interface
- Rethink Carbon Limited
- Scottish Renewables Forum Ltd
- Southern Uplands Partnership
- SOS Regional Economic Partnership
- SRUC
- SWESTRANS
- Upper Nithsdale Arts and Crafts Community Initiative.

23. Related Party Transactions

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

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

Transactions have taken place with:

- Audit Scotland
- Borders College
- Civitech
- Dumfries and Galloway Council
- Dumfries and Galloway College
- Her Majesty's Revenue and Customs
- Highlands and Islands Enterprise
- Historic Environment Scotland
- Nuclear Decommissioning Authority
- Registers of Scotland (land)
- Scottish Borders Council
- Scottish Enterprise
- Scottish Funding Council
- Scottish Government
- Scottish Water
- St John's Town of Dalry Community Council
- Skills Development Scotland
- University of Glasgow.

24. Financial Instruments

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

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

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

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

Liquidity risk

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

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

The table below details the contractual maturities of financial liabilities:

| | 2023/24 | 2022/23 |
|---------------------------------------|-----------------------|-----------------------|
| | £000 | £000 |
| | Within one year | Within one year |
| Financial liabilities | | |
| Trade payables and other liabilities* | 5,389 | 3,536 |
| | Greater than one year | Greater than one year |
| Trade payables and other liabilities* | 2,770 | 1,943 |
| Total financial liabilities | 8,159 | 5,379 |

*Includes lease liability

Credit risk

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

SOSE invest in a variety of companies by issuing loans from financial transaction funding. Appropriate due diligence is completed prior to offering loan funding, in order to mitigate the credit risk associated with loan transactions. Security will be held over loans where available and appropriate to do so.

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.

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 covered by the Financial Conduct Authority.

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:

| | 2023/24 | 2022/23 |
|--|-----------------------|-----------------------|
| | £000 | £000 |
| | Greater than one year | Greater than one year |
| Financial assets-non-current assets | | |
| Financial assets | 2,149 | 1,234 |
| Financial assets-current assets | | |
| | Within one year | Within one year |
| Trade and other receivables | 568 | 1,024 |
| Cash and cash equivalents | 4,624 | 2,864 |
| Current other financial assets | 694 | 357 |
| | 5,886 | 4,245 |
| Total financial assets | 8,035 | 5,479 |

The aging of trade and other receivables was:

| | 2023/24 | | 2022/23 | |
|----------------------------|------------|------------|--------------|------------|
| | £000 | £000 | £000 | £000 |
| | Gross | Provisions | Gross | Provisions |
| Not passed due | 556 | | 847 | - |
| Past due 0 to 30 days | 9 | (1) | 154 | - |
| Past due 31 to 90 days | - | (1) | 10 | (1) |
| Past due more than 90 days | 12 | (7) | 16 | (2) |
| | 577 | (9) | 1,027 | (3) |

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:

| | 2023/24 | 2022/23 |
|----------------------------------|-----------------|-----------------|
| | £000 | £000 |
| | Within one year | Within one year |
| Variable rate instruments | | |
| Cash and cash equivalents | 4,624 | 2,864 |

SOSE do not believe our Financial Assets are significantly affected by market risk. During the year, the cash and cash equivalents received bank interest, this 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**

| | 2023/24 | | 2022/23 | |
|----------------------------------|----------|----------|----------|----------|
| | £000 | £000 | £000 | £000 |
| Cash and cash equivalents | Increase | Decrease | Increase | Decrease |
| 31 March | 45 | 45 | 56 | 14 |

- **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 2024, there were no balances in the Statement of Financial Position held out with functional currency.

25. Events after the Reporting Period

The management have considered the 2024/25 activity to date and confirm there are no significant or material events to report.



Accounts Direction by the Scottish Ministers



Scottish Government
Riaghaltas na h-Alba
gov.scot

South of Scotland Enterprise

DIRECTION BY THE SCOTTISH MINISTERS

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

Signed by the authority of the Scottish Ministers

Dated 15/06/2021

Contact Us

Find out more at
www.southofscotlandenterprise.com

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

www.southofscotlandenterprise.com/contact-us
0300 304 8888

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