Pre-budget scrutiny on the 2027/28 draft Scottish budget

South of Scotland Enterprise

Introduction

South of Scotland Enterprise (SOSE) welcomes the opportunity to brief the Committee ahead of its pre-budget scrutiny session. Our message is clear: the South of Scotland is investable, ambitious and ready to deliver more for Scotland's economy.

Given the direct relevance of the evidence to both Committees' scrutiny, this submission is also being shared with the Scottish Parliament's Europe, External Affairs and Culture Committee in response to its request for written evidence as part of its pre-budget scrutiny.

About us

SOSE is Scotland's newest Enterprise Agency. SOSE launched in April 2020, following unanimous support from the Scottish Parliament. That support recognised a simple point: the South of Scotland has distinct challenges, but also major untapped potential. We cover Dumfries and Galloway and the Scottish Borders, backing businesses, strengthening communities, attracting investment and creating good jobs. We also have a statutory duty to improve the amenity and environment of the South of Scotland.

We support businesses of all sizes — from microbusinesses and SMEs to major employers. We unlock investment and infrastructure, back community-led regeneration and help the region seize the opportunities of net zero. We work 'for, by and in' the South, so growth is grounded in local strengths and delivers for people, businesses and communities.

SOSE was designed to work differently: local, flexible and practical. We cut through complexity and make support easier to access. With around 140 staff, and working closely with local government, the third sector, academia and national agencies, we are proving a different model of economic development — one that creates local, social and economic value.

In 2025/26 we delivered record support across the South of Scotland, engaging with almost 2,300 organisations. Since we were established, we have helped create or protect an estimated 10,000 jobs and invested over £50 million in grants.

The challenges are real. So is the momentum. The South of Scotland is building a stronger reputation as a distinctive, investable region able to attract the capital, talent and partnerships needed for lasting growth.

Delivering for the South of Scotland – our impact in 2025/26

Last year we had a record year and approved £18.3 million for 648 projects. We helped create or safeguard 749 jobs, almost double the previous year. Every £1 invested generated £3.33, contributing almost £61 million to the regional economy. We also worked directly with 2,862 people on entrepreneurship, including 2,016 young people and 725 women.

We measure performance through our **Performance Measurement Framework**, which tracks progress against our Primary Measures and is aligned to our strategic priorities — our 'Six As'. The framework also reflects cross-cutting commitments such as fair work and equality which are central to SOSE's approach. 2025/26 was our third year of capturing Primary Measure data and key metrics are included in the table below.

Figure 1 – Outcomes against our primary measures

Primary Measure	2025/26 Overall Forecast out-turn* •	2025/26 Forecast out-turn (excluding exceptional outlier)*	2025/26 Target Range	Target Rating (excluding exceptional outlier)*	2024/25 Forecast out-turn •	2023/24 Forecast out-turn •
No. people engaged in entrepreneurship	**2,862**	**2,862**	2,000-3,000	•	3,122	1,455
- No. people engaged in entrepreneurship who are - Women	725	725	/		612	478
- No. people engaged in entrepreneurship who are - Young People	2,016	2,016	/		2,174	805
No. clients that are innovating	**256**	**256**	100-200	•	245	106
Total capital value of projects supported	**£78m**	**£53.8m**	£30-£50m	•	£31.3m	£38.7m
Gross Additional Increase in client profitability	**£58.1m**	**£58.1m**	£45-£60m	•	£44.3m	£61.4m
Gross Additional Increase in client turnover	**£549m**	**£309m**	£200-£250m	•	£147.6m	£208.4m
No. new/improved income-generating community assets projects supported	**22**	**22**	15-25	•	30	15
Total value leveraged	**£61m**	**£45m**	£30-£60m	•	£23.5m	£19.2m
Value of inward investment opportunities secured	**£45m**	**£20.8m**	£20-£40m	•	£4.4m	£6.7m
Value of investment in Net Zero opportunities	**£67.9m**	**£43.7m**	£30-£50m	•	£28.5m	£40.8m
Estimated CO_2e emissions reductions by clients and projects (tCO_2e)	**125,966**	**124,502**	3,000-5,000	•	3,605	4,632
Value of investment in Natural Capital opportunities	**£18m**	**£18m**	£10-£20m	•	£19.1m	£2.7m
No. of jobs supported	**748.7**	**658.7**	300-500	•	377.2	1,706
No. clients that have increased their digital capabilities	**264**	**264**	75-150	•	210	32
Additional supporting data:						
No of Projects approved	**648**	**647**			558	165
No of Projects excluding Pathways project	**184**	**183**			168	165
Values against Funding Approved	**£18.3m**	**£13.6m**			£10.3m	£9.2m
Total project value supported (inc. SOSE Funding)	**£79.3m**	**£55.1m**			£33.7m	£52.4m
Unlocked potential per £ of SOSE investment	**£3.33**	**£3.05**			£2.29	£4.73

* Out-turns are forecasts as it relates to the expected out-turns recorded at point of approval. Target rating excludes the exceptional outlier project data: Pickstock:
• Blue >100%, • Green 90-100%, • Amber 50-90%, • Red <50% (of lower target range excl. Pickstock)

No. clients that have increased their digital capabilities only includes funded activity. Non-funded activity such as events increases this number to 494.

Jobs supported in 23/24 includes the upturn due to COVID crisis focus.

Our approach is becoming increasingly data-driven and intelligence-led. We continue to improve our systems and processes to strengthen the accuracy and usefulness of the information we collect, supporting evidence-based decision making.

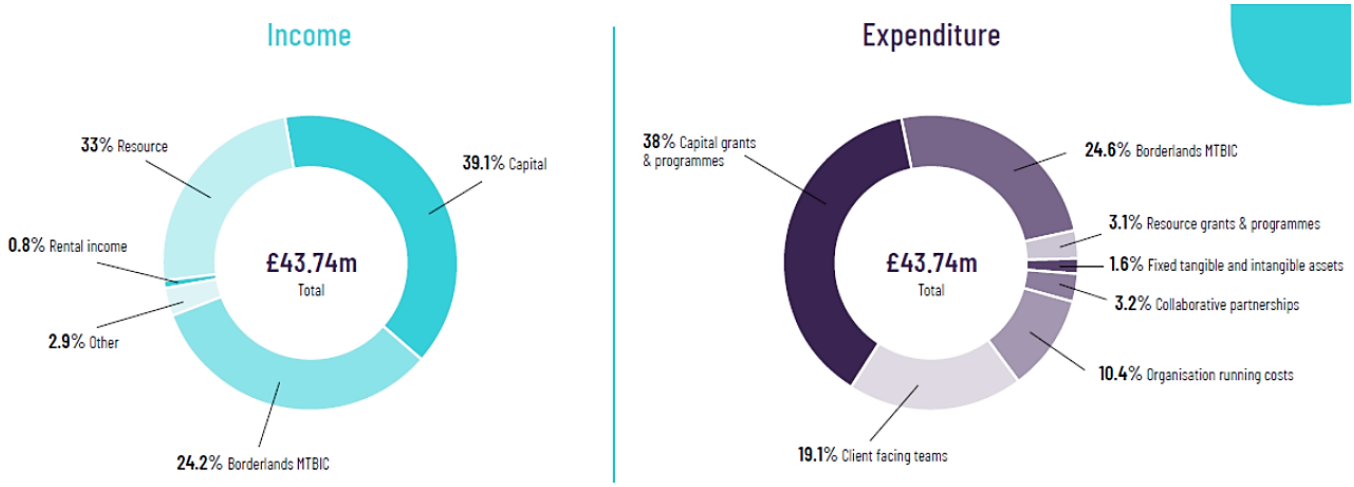
Our 2025/26 performance shows strong progress across a broad programme of work. As SOSE matures, major projects built over several years are now converting into impact. Alongside this, we continue to support the backbone of our rural economy — helping microbusinesses and SMEs build resilience, innovate and grow. Annual out-turns will vary because our work differs in scale, complexity and timescale. To keep reporting transparent, exceptional outlier projects are identified separately where they would otherwise distort the overall picture.

A full overview of performance can be found in our published Annual Report for 2025/26 which is online here: LINK

Our budget, priorities and focus for 2026/27

This year, SOSE received £32.17 million in Grant in Aid from Scottish Government. Our budget also includes funding for the Mountain Bike Innovation Centre in Innerleithen through the Borderlands Inclusive Growth Deal. Our 2026/27 budget is summarised below.

Figure 2 – SOSE Budget 2026/27



Note:
- The 2026/27 South of Scotland Enterprise budget cash allocation is £31.518m; the total Grant In Aid budget for SOSE is £32.168m which includes other elements relating to non-cash items.
- Budget above is cash only and includes Grant In Aid and income from other sources.
- Fixed tangible and intangible asset numbers include land sales treated in accordance with FReM as negative expenditure.
- Collaborative Partnerships with other strategic bodies include finance, IT and HR support.
- Organisation running costs include all remaining staff costs out with the Client Facing teams, and other business and estates costs.

Our delivery this year continues to align with our Five-Year Plan LINK, published in 2023. It sets out our core priorities — our 'Six As' — shaped by national strategy and the South of Scotland Regional Economic Strategy.

Figure 3 – Priorities from Our Five-Year Plan



Our Operating Plan for 2026/27 (LINK) sets out our activity in full. Our immediate priorities are to:

- Work with Center Parcs as development continues of its new village in the Scottish Borders, helping maximise opportunities for local businesses, communities and the wider regional economy.

- Invest in and promote the Chapelcross Energy Transition Zone.

- Establish our new Borderlands Deep Tech Accelerator Hub, a new innovation hub for and in the South of Scotland providing deep tech expertise, rapid prototyping and business support in a single hub.

- Support innovation, productivity and business growth across the South of Scotland, including through investment, specialist advice and programmes that help businesses adopt new technologies, innovate and scale.

- Attract further investment into the South of Scotland and supporting businesses of all sizes to grow and create jobs.

- Support the next generation of entrepreneurs, including women, young people and other underrepresented groups, by continuing the Pathways programme to start and grow new businesses.

- Support community organisations, social enterprises and local groups to strengthen their resilience, develop projects and create lasting economic and social impact.

- Realise the potential of our designation as the Natural Capital Innovation Zone for Scotland.

Looking further ahead

Businesses and communities across the South of Scotland continue to face cost pressure, tighter investment and squeezed profitability. But the region has stayed resilient, and major opportunities are moving forward — including Center Parcs, Kight Powerhub, HEMSPAN, Chapelcross and the South of Scotland Natural Capital Innovation Zone.

These projects show what the South can deliver. They build on regional strengths in energy transition, life sciences, agritech, advanced manufacturing and natural capital. Together, they are diversifying the economy, strengthening resilience and creating opportunity for businesses, communities and future generations. Realising this potential requires partners to pull in the same direction. Through the Regional Economic Partnership, we are bringing public, private and third sector partners together around the foundations of growth — housing, transport and skills. Without these fundamentals, growth will not reach every community in the South.

To build resilience and tackle rural depopulation, we must make more of international opportunity. That means attracting inward investment, supporting business growth and connecting the South to global markets, investors and talent. As part of Team Scotland, SOSE works with Scottish Development International, Scottish Government and international partners to raise the region's profile and connect projects to opportunity. We want Scotland's international networks, including Scotland House, to make rural opportunities more visible and more investable.

We recognise the fiscal challenges facing the Scottish Government and welcome the Spending Review's focus on sustainable, inclusive growth. Enterprise agencies are central to that agenda. We attract investment, help businesses innovate, support good jobs and ensure growth reaches every part of Scotland. Investment in economic growth is not optional; it builds prosperity, strengthens communities, broadens the tax base and reduces pressure on public finances over time.

SOSE is focused on maximum impact from every pound and on bringing further investment into the South of Scotland. Our impact has grown despite broadly flat funding, showing the value of clear regional focus, strong partnerships and delivery discipline. Public service reform and proposals to empower regions are an opportunity to build on that progress and go further.

Conclusion

The South of Scotland has the assets, ambition and opportunities to deliver more for Scotland. SOSE is focused where we can make the greatest difference: unlocking

investment, creating good jobs, widening opportunity and building long-term resilience. With the right support and continued regional empowerment, the South will help drive Scotland’s future growth.

SOSE
29 September 2026