Scott-Moncrieff
business advisers and accountants

# IMPROVEMENT SERVICE COMPANY

**Company registration number SC287978**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2018**

**IMPROVEMENT SERVICE COMPANY**
**(A company limited by guarantee)**

## COMPANY INFORMATION

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| | |
|---|---|
| **Directors** | Sarah Gadsden<br>Steven Grimmond<br>Angela Leitch<br>Sally Loudon<br>Keith Winter<br>Joyce White<br>Councillor Malcolm Bell<br>Councillor Neil Benny<br>Councillor Alison Evison |
| **Registered number** | SC287978 |
| **Registered office** | 1 Hub Quarrywood Court<br>Livingston Village<br>Livingston<br>Scotland<br>EH54 6AZ |
| **Independent auditor** | Scott-Moncrieff<br>Exchange Place 3<br>Semple Street<br>Edinburgh<br>EH3 8BL |
| **Bankers** | Bank of Scotland<br>Almondvale Centre<br>Livingston<br>West Lothian |
| **Solicitors** | CMS Cameron McKenna LLP<br>Saltire Court<br>20 Castle Terrace<br>Edinburgh<br>Midlothian<br>EH1 2EN |

**IMPROVEMENT SERVICE COMPANY**
**(A company limited by guarantee)**

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### Introduction

The directors present their strategic report for Improvement Service Company for the year ended 31 March 2018.

### Principal Business Activity

Improvement Service Company (IS) is the national improvement organisation for local government in Scotland and a company limited by guarantee. Its purpose is to help and support councils and their partners to improve and deliver high quality, efficient local services by providing improvement support and a range of products and services.

### Review of Business

The net profit for the year was £2,145 (2017: net loss £98,357).

As a not for profit organisation and consistent with all previous financial years, at an operational level the company broke even. However, the profit for the year arises from the combined impact of FRS 102 pension entries of £430,000, bank interest received of £15,245 and a release from deferred income of £416,900.

The overall pension liability has decreased from £1,685,000 in 2016/17 to a net pension liability of £1,165,000 in 2017/18. The balance on the pension fund will change annually according to the economic conditions.

2017/18 marked another very successful year for Improvement Service Company. We continued to deliver on our priorities as set out in the **IS Strategic Framework 2016/21:**

- Support a step change in productivity and efficiency
- Support the delivery of improved outcomes
- Support thinking about future resilience and sustainability

Key achievements in the year set out against each of our key priorities are provided below:

### Priority: Support a step change in productivity and efficiency

- We continued to grow our funding base and exceeded our 2017/18 target of £1.2M for bringing in additional resources to the sector. More than £2.2M was brought in to support collaborative and partnership working, of which £1.206M was brought in from out with the Local Government sector.

- We continued to enhance our **change management support** and have recently developed an online **Change Management Framework**, that incorporates Benefits Realisation and Process Costing toolkits. The Framework also aims to provide a central information repository for change teams to share tools, practice and case studies. The IS facilitated Change Managers' Network has grown to almost 600 members over the last year, representing 103 organisations, including all 32 Scottish Local Authorities. We embedded change programme management resources and expertise in Falkirk and East Lothian Councils, to support both councils with the delivery of their transformation programmes. Because of this, Falkirk Council has now appointed its own Change Programme Manager and acknowledged that the work with Improvement Service Company helped them to reach this point.

- The **myaccoun**t service is capitalising on the opportunities digital technology presents and has grown from 1,300 to 370,000 users with around 350,000 transactions per month. This represents a significant increase in activity over the last 12 months. 20 councils are now using the service to support access to an increasing range of frontline services. Integration with the Health and Social care portal to support patient communications is underway. The last two years have seen a rapid increase in the exploitation of the myaccount platform to create new value adding digital public services, including: Data Hub, Business Identity, Parents Portal (underpinned by an MOU agreement with SEEMIS), and YoungScot Rewards (underpinned by an MOU agreement with YoungScot).

- The **Knowledge Hub** has grown extensively over the last few years, and is Scotland's key online digital collaboration platform, with over 36,000 Scottish Network members and over 850 groups. Most members are from Local Government, closely followed by Scottish Government and other public and third sector services. We have also supported the creation of live and recorded webinars as content for kHub groups, which have provided insights and shareable original content for the network.

- Improvement Service Company is supporting 2.4 million **National Entitlement Smart cards** in circulation, supporting over 21 different services across councils.

- We manage the **One Scotland Mapping Agreement** on behalf of councils and secured 13% reduction in costs (approx. £1.5 million over lifetime of the agreement). The **One Scotland Gazetteer** has been moved from being a consumer of resources to a generator of surplus income creating a useful model for how we could exploit local government's IPR and opportunities to host shared capacities for councils. The system has been redeveloped allowing the release of £400,000 for reinvestment.

- We have remodelled the approach to **Spatial Information**, based on the success and relationship management approach within the One Scotland Gazetteer and OSMA. We have created a shared capacity called **the Spatial Hub** that collates quality assured and standardised data at a national level. In two years a common platform, formal arrangements with Councils and an approach to market has been developed.

- The IS developed and facilitates the **Scottish Local Government Innovation Exchange** in partnership with SOLACE Scotland, which has over 160 case studies on it of how councils are innovating in areas such as children and education, community planning and empowerment, digital, health and social care, employability, service transformation etc.

**Priority: Support the delivery of improved outcomes**

- We provided a range of support to councils, SOLACE and COSLA in their work to improve outcomes for children, young people and their families. We became part of the **Early Learning and Childcare (ELC) Expansion Delivery Support team**, providing support and constructive challenge to councils on their draft and then submitted ELC Expansion Plans. We are also a member of the Society of Personnel and Development Scotland's portfolio group on ELC Expansion, providing support on workforce planning and development issues.

- We continued to successfully deliver the **Local Government Benchmarking Framework (LGBF)** to help councils better understand why they achieve their current performance levels, to build understanding of where and why council performance varies and to help identify and share good practice across councils. This included delivering an expanded programme of benchmarking events generating invaluable practice examples which were shared widely across all councils. These events brought together corporate, service and finance colleagues from across all 32 councils to share learning and drive improvement, using the LGBF as a 'can opener'.

- There are now over 30 public service organisations using the **PSIF self-assessment and improvement planning framework**, including local authorities, the Scottish Fire and Rescue Service, Police Scotland, the Scottish Police Authority, COSLA, third sector organisations etc. The framework has continued to evolve and tailored PSIF Checklists are being used by CPPs, Third Sector Interfaces and Health and Social Care Partnerships.

- We worked with five councils to co-host **leading practice events** on a range of areas, including community empowerment, physical and community regeneration, locality planning, bond investments and volunteering, which were attended by senior officers from across public services and elected members.

- We completed phase 2 of the Economic Outcomes Programme, producing **Economic Footprint Reports for all 32 councils** which focus on the economic impact Councils have on their local economies and how this can be enhanced.

- We supported CPPs to use the **Community Planning Outcomes Profile** in the development of their Local Outcomes Improvement Plans. The CPOP is a decision-making tool which provides a consistent basis for measuring outcomes and inequalities in communities and includes a set of core measures on important life outcomes.

- We worked with the Scottish Government and COSLA to develop a set of quality standards and performance indicators to support multi-agency **Violence Against Women Partnerships (VAWPs)** across Scotland to measure the progress they are making in implementing Scotland's national VAW strategy locally and drive forward improvements. We secured funding from the Big Lottery Fund Scotland to provide strategic support to Cedar groups working in 8 local authority areas across Scotland to help them to deliver improved outcomes for children and young people affected by domestic abuse and support them to better measure and demonstrate their impact.

- We expanded the **Community Planning in Scotland Portal** to incorporate resources supporting health and social care partnerships. The portal provides information on the support available to CPPs, and other partnerships that contribute to community planning, from national improvement agencies and programmes. This includes links to online tools and information as well as contacts at the agencies for partnerships which would like to access tailored consultancy and facilitation support.

- We worked with other partners to ensure **the widest range of improvement resources** are locally accessible on an integrated basis. We worked with the Care Inspectorate and Healthcare Improvement Scotland to develop and test a tailored version of the PSIF Checklist for health and social care partnerships. We worked with COSLA to develop Elected Member Briefing Notes on Health and Social Care integration and to jointly deliver an introductory workshop on integration. We supported several Health and Social Care Partnerships to connect on the Knowledge Hub. We participated in a national workforce planning group along with COSLA, SOLACE and SPDS on workforce planning and contributed to guidance. We participated in the national Public Health Oversight Reform Board and worked with NHS Health Scotland to publish an Elected Member briefing note on health inequalities.

- We continued to develop and deliver the **Scottish Community Council website** which provides information and advice for community councillors and sets out all community council boundaries. The Community Council Project has trialled new ways to increase digital engagement with community councils and organised a successful Twitter Q&A on public engagement for community councils.

**Priority: Support thinking about future resilience and sustainability**

- The **Elected Member Development programme** has evolved from producing induction materials in 2007, to a programme that comprises of a CPD Framework for Elected Members, workshops, webinars, a briefing note series, a website for potential new candidates (http://www.localcouncillor.scot), a dedicated local councillor twitter account and the delivery of tailored support. The programme has an 85% customer satisfaction rating. 22 councils are using the CPD Framework and all 32 councils used the 7 induction notebooks we produced for new Elected Members.

- As part of Workforce Scotland, we continued to roll out the **Enabling Collaborative Leadership Pioneer Programme** to councils and CPPs, which supports finding new ways to tackle complex systemic issues. We played a lead role in delivering the programme and in encouraging and building local organisational development capacity to support the facilitation of this work. Through Workforce Scotland, we also continued to support senior leaders to take part in the cross public service Leadership Exchange programme.

- For the third consecutive year, we analysed **the Money Advice Performance Management Framework** returns and produced a report, which is used at both local and national levels, to provide evidence of the performance of money advice services, identify trends and share examples of good practice. In partnership with Scottish Government and local authorities, we commenced the development of a common advice reporting framework, based on the Money Advice Performance Management Framework, which will consistently measure and report on the performance of publicly funded advice services. We published **Money Advice Customer Journey Mapping** which reported on a 'typical' customer journey and conducted an analysis of the pathways taken and channels used to access money advice services. We reviewed and reported on how the **Framework for Public Funding of Advice** is being used by local authorities to fund and commission services.

- We secured funding from Scottish Government to roll out the **Place Standard** to CPPs as part of our place-based work. We delivered 27 CPP awareness raising sessions on the Place Standard and 23 training sessions to around 430 officers. We are now actively using this experience to advise a Place Standard Review Group on any required changes to the document/ guidance etc.

***Business Streams and Investment***

Our financial statements clearly set out income and spending for the year.

*Key financials*:
Improvement Service Company core funding grant of £1.656M continued in 2017/18, secured as part of the Local Government Finance Settlement. We also agreed funding of £4.6M with Scottish Government to manage and deliver the Customer First initiative, underpinned by a Memorandum of Understanding which included sufficient contractual and staff liability protection.

We carried forward a balance of £1.094M from last financial year with full approval from funding organisations.

In a tough financial climate, we continued to grow our funding base and exceeded our 2017/18 target of £1.2M for bringing in additional resources to the sector. £2.261M was brought in to support collaborative and partnership working, of which £1.206M was brought in from out with the sector.

An overview of 2017/18 funding is provided below:

| | £ |
|---|---|
| *Core/Customer First Grant* | 6,255,800 |
| *IS/Local Authority Collaborations* | 1,055,195 |
| *Grants- Various* | 918,900 |
| *Commercial Income* | 287,500 |
| | 8,517,395 |

As many of these programmes are of several years' duration and others we received in quarter 4, we carried forward a balance of £1.357M with full approval from all funding partners.

*Next Year Financials:*
We will receive £1.656M Revenue Support Grant to fund our core programmes for 2018/19 similar to last year. £4.24M has been secured for the Customer First programme, underpinned by a refreshed 3 year MOU. This represents a 7.8% reduction on last year's allocation however the implementation of significant innovations and operational efficiencies means priorities can continue to be met within this reduced budget allocation. To date, we have also secured other funding of £2.372M.

## Key Performance Indicators

Improvement Service key performance indicators for 2017/18 are noted below:

| **2017/18** | **Target** | **Actual** |
|---|---|---|
| Additional Resources into the Sector | £1.2M | £1.206M |
| Programme Performance | 96% | 97.5% |
| Staff Satisfaction Indicator | 75% | 78% |
| Customer Satisfaction Indicator | 75% | 81% |
| Sickness absence Indicator | 1.5% | 1.03% |

## The Forward Context, Risks and Challenges

Following 12 very successful years leading Improvement Service Company, the Chief Executive, Colin Mair, announced his retirement in December 2017 and left the organisation on 30 March 2018.

The Board decided it was an opportune time for review and to identify options for the future leadership, governance, and direction of Improvement Service Company. Sarah Gadsden, the then Director of Strategic Development and Collaboration within Improvement Service Company, was chosen by the Board and appointed as Interim Chief Executive on 2 April 2018, for a minimum 8 month period, to support the delivery of current priorities and to work with the Board to review future options.

*Context for Change:*
Improvement Service Company operating context has changed since it was established in 2005. Extensive policy and legislative developments, and an enduring drive for local transformation and best value have altered the functions and organisation of councils, and their inter-relationship with other public services. Issues such as the role of Integration Joint Boards, the creation of regional improvement collaboratives, city region deals and regional economic partnerships, and wider changes to the framework of local democracy also all look set to drive important further changes over the forthcoming period. At the same time, changing patterns of demand, coupled with diminishing resources, are placing local government under new pressures. It is within this context that the Board agreed to identify future operating options, including a review of interactions with other national local government organisations, to ensure Improvement Service Company is best positioned to continue to effectively support councils and partners through challenging times.

At its meeting in June 2018, the Board agreed to take forward three options to the strategic options appraisal stage, using option 1 as the baseline:

- Option 1 - Stand Alone Improvement Service Model, the ‘status quo’ as a baseline.
- Option 2 - Enhanced Improvement Service Company stand-alone model, underpinned by a formal and structured partnership with COSLA.
- Option 3 - Merger of Improvement Service Company into COSLA with Improvement Service Company company status retained.

The Board also came to the view that a review of Improvement Service Company should not be carried out in isolation and without the participation of COSLA, given the potential impact on both organisations. COSLA agreed this approach and a steering group with representation from both organisations was set up to establish the scope of the strategic options appraisal and oversee and manage its delivery. It was further agreed that an independent adviser would be commissioned to produce the strategic options appraisal, guided and directed by the Steering Group and informed by stakeholders.

An independent advisor has been appointed to undertake, facilitate and produce a detailed strategic options appraisal. A full report will be tabled for consideration at a Board meeting during 2018/19. After reporting to the IS Board and COSLA, the recommendations will be shared with all 32 local authorities. Subject to agreement, the preferred option will be taken forward to the full business case and business planning stages.

*Current Priorities:*
Business as usual will continue in 2018/19 and we will continue to routinely agree Core and Customer First grant funding beyond 2019 as part of ongoing discussions with Local Government and Scottish Government.
We will continue to invest in existing products and services and look for new, practical and innovative approaches to providing support and helping councils and partnerships through challenging times. As part of the 2017/18 Business plan we made progress in key priority areas that continue to be of significance. Our major developments for 2018/19 build on this work and have been prioritised in areas where Improvement Service Company is positioned to add value and deliver impact:

Across 2018/19 we will invest resources in the following key strategic developments:

- All councils, and their partnerships, have Change and Transformation programmes and Improvement Service Company has been active in supporting these through direct support, knowledge management, brokerage of support from improvement partners and innovative resourcing approaches. The priority this year is to work in partnership with councils and other national organisations/improvement agencies to develop a **focused programme of transformation** work to support councils and their partners as they continue to rethink and reimagine their services. This joint approach will facilitate the sharing of skills, capacity, knowledge, expertise and support economies of scale. Programme workstreams will include: service redesign; leadership, people and culture; community empowerment and place based approaches; collaborative working and joint resourcing; and data and business intelligence.

- Diversifying our income and optimising the use of our assets is essential to both diminish the financial demands placed on councils, and to improve the self-sustainability of national capacity. **Local government creates substantial Intellectual Property Rights (IPR)** with respect to data, systems and service models. This is currently underexploited and provides no or very low rates of return. We will continue to drive forward our spatial hub service whilst identifying other opportunities across the work of the IS, partners and local government.

- The impact of income and demand pressures, and of reviews at a national level, has resulted in an increased focus on **shared service and shared capacity**, often at regional level. Improvement Service Company is already actively supporting councils in developing shared capacity in Roads, Enterprise and Skills, Trading Standards, Environmental Health, Scientific Services, and Digital development. Improvement Service Company also provides national shared capacity in card technologies, spatial information, and verification/authentication for online services. This year we will strengthen and consolidate our capacity to provide advice and practical support across the range of initiatives councils wish to pursue. We will prioritise adding value to reform within Health and Social Care, Education and Economic Development.

  **Education**
  Transforming services to secure better outcomes for children, young people and their families continues to be a priority area for councils. Improvement Service Company will provide a range of support to councils as they continue to evolve and implement their early learning and childcare expansion plans and to the education regional improvement collaboratives as they deliver their improvement plans. Improvement Service Company will also work with Scottish Government to host a National Co-ordinator for Local Child Poverty Action Reports, who will support councils and NHS Boards to develop their reports and establish a network for sharing information and advice on what works to tackle child poverty in Scotland.

  Improvement Service Company will expand digital support for early years collaboration by maximising the use of the parent’s portal, an online service set to transform communications between schools and parents. The YoungScot portal will also be launched and developed providing young people with mobile access to a range of benefits and concessions to help alleviate transport poverty and other inequalities.

  **Health and Social Care**
  Tackling significant health inequalities in communities continues to be a challenge for councils and their partners. Building on work already undertaken with the Care Inspectorate and Healthcare Improvement Scotland to roll out self-assessment to health and social care partnerships, and with COSLA to develop elected member briefings and workshops on integration, Improvement Service Company will offer support to councils and health and social care partnerships as they continue to deal with challenges including effective

governance, financial sustainability, working across organisational boundaries and making the shift to prevention.

Digital support for Health and Social Care will focus on working closely with the NHS to maximise the use of myaccount as part of the Health and Social care portal expansion. We will also work to deepen the impact of data sharing and management capabilities to support improved local decision making (actionable intelligence).

**Economic Development**

Supporting the design and delivery of effective interventions and ways of working that improve economic outcomes and lead to a wider range of sustainable improvements in key outcome areas. This will include closer joint working with SOLACE, SLAED and COSLA, to provide a range of practical support around shared local government economic priorities. These priorities include developing regional approaches, working collaboratively across administrative boundaries on a scale that supports significant, transformational strategic investment and decision making. This will involve promoting coherent regional collaboration frameworks through a joined-up and connected system that respects local decision making, reinforces regional economies and supports shared local, regional and national objectives. Supporting practical approaches to operationalising 'Inclusive Growth' objectives will be another key area of focus across local government and Improvement Service Company will work with strategic partners to develop practical support around this agenda.

More detail on existing products and services and our approach can be viewed in Improvement Service Company Business Plan 2018/19.

This report was approved by the Board on………………………………………………and signed on its behalf by

**Alison Evison**
**Director**

The directors present their report and the financial statements for the year ended 31 March 2018.

**Directors' responsibilities statement**

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company’s website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

**Directors**

The directors who served during the year were:

Sarah Gadsden (Chief Executive) (appointed 1 April 2018)
Colin Mair (Chief Executive) (resigned 30 March 2018)
Steven Grimmond
Angela Leitch
Sally Loudon
Keith Winter
Joyce White (appointed 26 May 2017)
Elma Murray (resigned 8 May 2017)
Malcolm Bell
Neil Benny (appointed 2 July 2017)
Alison Evison (appointed 2 July 2017)
David O'Neill (resigned 4 May 2017)

**Disclosure of information to auditor**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board on…………………………………………………….and signed on its behalf.

**Alison Evison**
**Director**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IMPROVEMENT SERVICE COMPANY**

## Opinion

We have audited the financial statements of Improvement Service Company for the year ended 31 March 2018, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Material uncertainty related to going concern

We draw attention to note 2.2 in the financial statements. As stated in note 2.2, the strategic review indicates that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinion on other matters prescribed by the Companies Act 2006**

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IMPROVEMENT SERVICE COMPANY**

### Responsibilities of the directors

As explained more fully in the Directors' Responsibilities Statement on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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 directors are responsible for assessing the company'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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

Our 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 our 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. The description forms part of our Auditor's Report.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members, as a body, those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Bernadette Higgins (Senior statutory auditor)**
**for and on behalf of**
**Scott-Moncrieff, Statutory Auditor**
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date:

**STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 31 MARCH 2018**

| | Note | 2018 £ | 2017 £ |
|---|---|---|---|
| Turnover | 4 | **9,368,618** | 7,949,617 |
| **Gross profit** | | **9,368,618** | 7,949,617 |
| Administrative expenses | | **(9,330,718)** | (8,052,617) |
| **Operating profit/(loss)** | 5 | **37,900** | (103,000) |
| Interest receivable and similar income | | **15,245** | 12,643 |
| Other finance income | | **(51,000)** | (8,000) |
| **Profit/(loss) before tax** | | **2,145** | (98,357) |
| **Profit/(loss) for the financial year** | | **2,145** | (98,357) |
| **Other comprehensive income for the year** | | | |
| Actuarial gains/(losses) on defined benefit pension scheme | | **950,000** | (1,413,000) |
| **Other comprehensive income for the year** | | **950,000** | (1,413,000) |
| **Total comprehensive income for the year** | | **952,145** | (1,511,357) |

None of the Company's activities were acquired or discontinued during the above two years.

The notes on pages 17 to 28 form part of these financial statements.

# BALANCE SHEET
## AS AT 31 MARCH 2018

| | Note | | 2018 £ | | 2017 £ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | 9 | | 67,195 | | 70,309 |
| **Current assets** | | | | | |
| Debtors: amounts falling due within one year | 10 | 238,194 | | 417,734 | |
| Cash at bank and in hand | 11 | 4,769,849 | | 4,665,450 | |
| | | 5,008,043 | | 5,083,184 | |
| Creditors: amounts falling due within one year | 12 | (4,253,194) | | (4,763,594) | |
| **Net current assets** | | | 754,849 | | 319,590 |
| **Total assets less current liabilities** | | | 822,044 | | 389,899 |
| Defined benefit pension scheme liability | 15 | | (1,165,000) | | (1,685,000) |
| **Net liabilities** | | | **(342,956)** | | **(1,295,101)** |
| **Capital and reserves** | | | | | |
| Profit and loss account | 14 | | (342,956) | | (1,295,101) |
| | | | **(342,956)** | | **(1,295,101)** |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on…………………………………………...

**Alison Evison**
**Director**

The notes on pages 17 to 28 form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 MARCH 2018

| | Retained earnings | | |
|---|---|---|---|
| | Designated reserve | Undesignated reserve | Total equity |
| | £ | £ | £ |
| At 1 April 2017 | **200,000** | **(1,495,101)** | **(1,295,101)** |
| **Comprehensive income/(expenditure) for the year** | | | |
| Profit for the year | 432,145 | (430,000) | 2,145 |
| **Other comprehensive income for the year** | | | |
| Actuarial gains on pension scheme | - | 950,000 | 950,000 |
| **Total comprehensive income/(expenditure) for the year** | 432,145 | 520,000 | 952,145 |
| **Transfer between reserves** | 189,899 | (189,899) | - |
| **At 31 March 2018** | **822,044** | **(1,165,000)** | **(342,956)** |

| | Retained earnings | | |
|---|---|---|---|
| | Designated reserve | Undesignated reserve | Total equity |
| | £ | £ | £ |
| At 1 April 2016 | 200,000 | 16,256 | 216,256 |
| **Comprehensive income/(expenditure) for the year** | | | |
| Loss for the year | - | (98,357) | (98,357) |
| **Other comprehensive income for the year** | | | |
| Actuarial losses on pension scheme | - | (1,413,000) | (1,413,000) |
| **Total comprehensive income/(expenditure) for the year** | - | (1,511,357) | (1,511,357) |
| **At 31 March 2017** | **200,000** | **(1,495,101)** | **(1,295,101)** |

The notes on pages 17 to 28 form part of these financial statements.

## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31 MARCH 2018

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit/(loss) for the financial year | **2,145** | (98,357) |
| **Adjustments for:** | | |
| Depreciation of tangible assets | **21,885** | 22,686 |
| Loss on disposal of tangible assets | **-** | 3 |
| Interest received | **(15,245)** | (12,643) |
| Decrease in debtors | **179,540** | 159,010 |
| (Decrease)/increase in creditors | **(510,399)** | 2,118,131 |
| Retirement benefit scheme | **430,000** | 111,000 |
| **Net cash generated from operating activities** | **107,926** | 2,299,830 |
| **Cash flows from investing activities** | | |
| Purchase of tangible fixed assets | **(18,772)** | (30,825) |
| Interest received | **15,245** | 12,643 |
| **Net cash from investing activities** | **(3,527)** | (18,182) |
| **Net increase in cash and cash equivalents** | **104,399** | 2,281,648 |
| Cash and cash equivalents at beginning of year | **4,665,450** | 2,383,802 |
| **Cash and cash equivalents at the end of year** | **4,769,849** | 4,665,450 |
| **Cash and cash equivalents at the end of year comprise:** | | |
| Cash at bank and in hand | **4,769,849** | 4,665,450 |
| | **4,769,849** | 4,665,450 |

The notes on pages 17 to 28 form part of these financial statements.

## 1. General information

The principal activity of the Company in the year under review was that helping and supporting councils and their partners to improve and deliver high quality, efficient local services by providing improvement support and a range of products and services.

The Company is a United Kingdom private company limited by guarantee. It is both incorporated and domiciled in Scotland. The address of its registered office is c/o CMS Cameron McKenna LLP, Saltire Court, 20 Castle Street, Edinburgh, EH1 2EN. The Company's registration number is SC287978.

These financial statements are presented in Pound Sterling (GBP), as that is the currency in which the Company's transactions are denominated. They comprise the financial statements of the Company drawn up for the year ended 31 March 2018.

## 2. Accounting policies

### 2.1 Basis of preparation of financial statements

These financial statements are prepared under historical cost convention as modified by the valuation of pension assets and liabilities and in accordance with Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' and the Companies Act 2006. The principal accounting policies are summarised below and have been applied consistently through the current and preceding year, unless otherwise stated.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied in the preparation of these financial statements. These policies have been consistently applied to the years presented, unless otherwise stated:

### 2.2 Going concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Company can continue in operational existence for the foreseeable future.

In December 2017, the Board agreed to identify options for the future leadership, governance and direction of the company to ensure it is best positioned to continue to effectively support councils and partners. At its meeting in June 2018, the Board agreed to take forward three options to the strategic options appraisal stage, using option 1 as the baseline:

- Option 1 - Stand Alone Improvement Service Model, the 'status quo' as a baseline.
- Option 2 - Enhanced stand-alone model, underpinned by a formal and structured partnership with COSLA.
- Option 3 - Merger of Improvement Service Company into COSLA with the IS company status retained.

An independent advisor has been appointed to undertake, facilitate and produce a detailed strategic options appraisal. A full report will be tabled for consideration at a Board meeting during 2018/19.

While the outcome of the strategic review is unknown, at the time of approving the financial statements, the directors have a reasonable expectation that the Company will continue in operational existence for the foreseeable future. They have therefore continued to adopt the going concern basis of accounting in preparing the financial statements.

## 2. Accounting policies (continued)

### 2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

**Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

**Government grants**

Grants are accounted under the accruals model permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Statement of Comprehensive Income at the same rate as the depreciation of the assets to which the grant relates. The deferred element of the grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

### 2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

| | |
|---|---|
| Fixtures and fittings | - 3 - 10 years straight line |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

## 2. Accounting policies (continued)

### 2.5 Operating leases: Lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

### 2.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

### 2.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

### 2.8 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on

## 2. Accounting policies (continued)

a net basis or to realise the asset and settle the liability simultaneously.
Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, of when the Company has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

### 2.9 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

### 2.10 Pensions

**Defined benefit pension plan**

The Company participates in a defined benefit scheme in respect of its employees. The assets of the scheme are held in external funds managed by professional investment managers.

The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses arising from experience adjustments and changes in assumptions are recognised immediately in the Statement of Comprehensive Income. All costs related to the defined benefit scheme are recognised in the Statement of Comprehensive Income.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as reduced by the fair value of plan assets. Any asset resulting from the calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

### 2.11 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

### 2.12 Taxation

The Company is exempt from taxation under section 984(2) of the Corporation Tax Act 2010.

## 3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in compliance with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

The items in the financial statements where these judgements and estimates have been made include:

Depreciation - accounting estimation applied to useful life of assets. The rates used are deemed to be appropriate for the individual class of assets.

Actuarial assumptions in respect of defined benefit pension scheme - the actuarial assumptions of a qualified actuary have been reviewed and are considered reasonable and appropriate.

## 4. Turnover

An analysis of turnover by class of business is as follows:

| | **2018** | 2017 |
|---|---|---|
| | **£** | £ |
| Core management and other income | **4,314,433** | 3,365,260 |
| Customer first | **4,862,362** | 4,377,370 |
| Planning development | **136,849** | 128,967 |
| Public notice portal | **54,974** | 78,020 |
| | **9,368,618** | 7,949,617 |

## 5. Operating profit/(loss)

This is stated after charging:

| | **2018** | 2017 |
|---|---|---|
| | **£** | £ |
| Depreciation of tangible fixed assets | **21,885** | 22,686 |
| Loss on disposal of tangible fixed assets | **-** | 3 |
| Auditor's remuneration - audit fee | **10,000** | 10,000 |
| Auditor's remuneration - fees for non-audit services | **2,500** | 3,200 |

## 6. Employees

Staff costs, including directors' remuneration, were as follows:

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| Wages and salaries | **2,744,433** | 2,367,696 |
| Social security costs | **299,500** | 260,830 |
| Other pension costs | **842,460** | 540,013 |
| | **3,886,393** | 3,168,539 |

The company consider key management personnel to be the senior management team, which include:

- Chief Executive (interim)
- Director of Shared Services and Customer First
- Director of Strategic Development & Collaboration (vacancy)
- Head of Transformation, Performance and Improvement (interim)
- Head of Corporate & Business Services

Total remuneration paid to the key management personnel was £563,119 (2017: £545,986)

The average monthly number of employees, including the directors, during the year was as follows:

| | 2018<br>No. | 2017<br>No. |
|---|---|---|
| Corporate | **10** | 10 |
| Transformation Performance and Improvement | **34** | 31 |
| Digital strategy | **2** | 2 |
| Customer first | **19** | 17 |
| | **65** | 60 |

## 7. Directors' remuneration

| | **2018** | 2017 |
|---|---|---|
| | **£** | £ |
| Directors' emoluments | **123,229** | 116,652 |
| Company contributions to pension scheme | **22,099** | 21,926 |
| | **145,328** | 138,578 |

The Chief Executive is the only member of the Board to receive remuneration.

## 8. Other finance costs

| | **2018** | 2017 |
|---|---|---|
| | **£** | £ |
| Interest income on pension scheme assets | **319,000** | 333,000 |
| Net interest on net defined benefit liability | **(370,000)** | (341,000) |
| | **(51,000)** | (8,000) |

## 9. Tangible fixed assets

| | **Fixtures and fittings** |
|---|---|
| | **£** |
| **Cost** | |
| At 1 April 2017 | **148,186** |
| Additions | **18,772** |
| Disposals | **(23,199)** |
| At 31 March 2018 | **143,759** |
| **Depreciation** | |
| At 1 April 2017 | **77,878** |
| Charge for the year | **21,885** |
| Disposals | **(23,199)** |
| At 31 March 2018 | **76,564** |
| **Net book value** | |
| At 31 March 2018 | **67,195** |
| At 31 March 2017 | 70,309 |

## 10. Debtors

| | 2018 £ | 2017 £ |
|---|---|---|
| Other debtors | **238,194** | 390,961 |
| Amounts due from West Lothian Council | **-** | 26,773 |
| | **238,194** | 417,734 |

## 11. Cash and cash equivalents

| | 2018 £ | 2017 £ |
|---|---|---|
| Bank and cash balances | **2,769,849** | 3,665,450 |
| Notice deposits | **2,000,000** | 1,000,000 |
| | **4,769,849** | 4,665,450 |

## 12. Creditors: Amounts falling due within one year

| | 2018 £ | 2017 £ |
|---|---|---|
| Amounts owed to West Lothian Council | **567,973** | 1,167,684 |
| Trade creditors | **1,588,005** | 456,591 |
| Other taxation and social security | **36,020** | 106,611 |
| Other creditors | **8,631** | 6,314 |
| Accruals and deferred income | **2,052,565** | 3,026,394 |
| | **4,253,194** | 4,763,594 |

## 13. Financial instruments

| | 2018 £ | 2017 £ |
|---|---|---|
| **Financial assets** | | |
| Financial assets measured at amortised cost | **4,939,427** | 4,962,840 |
| **Financial liabilities** | | |
| Financial liabilities measured at amortised cost | **(2,164,609)** | (1,737,489) |

Financial assets measured at amortised cost comprise debtors (excluding prepayments) and cash at bank and in hand.

Financial liabilities measured at amortised cost comprise creditors (excluding tax and social security and deferred income).

## 14. Reserves

**Profit and loss account**

The profit and loss account includes all current and prior period retained profits and losses.

A designated reserve has been created to provide a reserve to meet the Company's unanticipated needs over future years.

The designated reserve also includes a change fund to cover the wish to invest in future priorities for change and development.

## 15. Pension commitments

The company is an admitted body of Lothian Pension Fund. The Superannuation Fund is a defined benefit scheme into which employee' and employer's contributions, and interest and dividends from investments are paid and from which pensions, lump sums and superannuation benefits are paid out. Employees' contributions are tiered and employer's basic contributions are assessed every three years by an actuary and are fixed to ensure the fund remains solvent and in a position to meet its future liabilities. The actuarial method used is known as Projected Unit Credit Method. The last actuarial valuation was at 31 March 2017. Following this valuation, minimum employer's contribution rates were set at 17.2% plus £27,200 for the years ending 31 March 2019, 2020 and 2021 respectively.

**The movement in the defined benefit obligation over the year is as follows:**

| | 31 March 2018<br>£'000 | 31 March 2017<br>£'000 |
|---|---|---|
| Opening defined benefit obligation | **13,334** | 9,134 |
| Current Service Cost | **854** | 534 |
| Past Service Cost | **-** | 31 |
| Interest Cost | **370** | 341 |
| Contributions by Members | **202** | 185 |
| Actuarial losses/(gains) | **(375)** | 3,170 |
| Estimated Benefits Paid | **(316)** | (61) |
| Closing defined benefit obligation | **14,069** | 13,334 |

**The movement in the fair value of plan assets in the year is as follows:**

| | 31 March 2018<br>£'000 | 31 March 2017<br>£'000 |
|---|---|---|
| Opening fair value of scheme assets | **11,649** | 8,973 |
| Interest income | **319** | 333 |
| Contribution by members | **202** | 185 |
| Contributions by the employer | **475** | 462 |
| Actuarial gains/(losses) | **575** | 1,757 |
| Estimated Benefits paid | **(316)** | (61) |
| Closing fair value of plan assets | **12,904** | 11,649 |

**Amounts recognised in Statement of comprehensive income:**

| | 31 March 2018 £'000 | 31 March 2017 £'000 |
|---|---|---|
| Current service cost | **(854)** | (534) |
| Past service cost | **-** | (31) |
| **Total service cost** | **(854)** | (565) |
| **Net interest** | | |
| Interest income on plan assets | **319** | 333 |
| Interest cost on defined benefit obligation | **(370)** | (341) |
| **Total net interest** | **(51)** | (8) |
| **Total defined benefit cost recognised in Statement of comprehensive income** | **(905)** | (573) |

The major categories of plan assets as a % of the total plan assets are as follows:

| | 31 March 2018 % | 31 March 2017 % |
|---|---|---|
| Equities | 76 | 67 |
| Bonds | 11 | 23 |
| Property | 7 | 7 |
| Cash | 6 | 3 |

The estimated employer contributions for the year to 31 March 2019 are £475,000.

The principal actuarial assumptions used in the calculations are:

| | 31 March 2018 % per annum | 31 March 2017 % per annum |
|---|---|---|
| Pension Increase Rate | 2.3 | 2.4 |
| Salary Increase Rate | 4.0 | 4.4 |
| Discount Rate | 2.7 | 2.7 |

**Mortality**

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI2016 model with an allowance for smoothing of recent mortality experience and long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

| | Males | Females |
|---|---|---|
| Current Pensioners | 21.7 years | 24.3 years |
| Future Pensioners | 24.7 years | 27.5 years |

## 16. Commitments under operating leases

At 31 March 2018, the company had future minimum lease payments under non-cancellable operating leases as follows:

| | **2018** | 2017 |
|---|---|---|
| | **£** | £ |
| Not later than 1 year | **67,655** | 67,655 |
| Later than 1 year and not later than 5 years | **95,845** | 163,500 |
| | **163,500** | 231,155 |

During the year the company recognised an expense of £67,655 (2017: £69,624) in relation to operating leases.

## 17. Related party transactions

Due to the nature of the Company's operations and the composition of its board of directors, being from public sector organisations, it is inevitable that transactions will take place with companies and organisations in which a director of Improvement Service Company has an interest. The Company works with many public funded bodies with whom transactions have been undertaken during the year. The following directors held official positions in these organisations during the financial year:

| **Director** | **Public Body** | **Position held** |
|---|---|---|
| Colin Mair | Improvement Service | Chief Executive |
| Angela Leitch | East Lothian Council | Chief Executive |
| Keith Winter | Fife Council | Executive Director |
| Steven Grimmond | Fife Council | Chief Executive |
| Sally Loudon | The Convention of Scottish Local Authorities | Chief Executive |
| Joyce White | West Dunbartonshire Council | Chief Executive |
| Elma Murray | North Ayrshire Council | Chief Executive |
| Cllr Malcolm Bell | Shetland Islands Council | Councillor |
| Cllr Neil Benny | Stirling Council | Councillor |
| Cllr Alison Evison | Aberdeenshire Council/The Convention of Scottish Local Authorities | Councillor/President |
| Cllr David O'Neill | North Ayrshire Council | Councillor |

None of the directors have significant control over the company or the related organisations. On this basis, the details and amounts of the transactions have not been disclosed.

The appointment for each director was made by the following nominating bodies:

| **Director** | **Nominating body** |
|---|---|
| Colin Mair | The Convention of Scottish Local Authorities (COSLA) |
| Angela Leitch | Society of Local Authority Chief Executives (SOLACE) |
| Keith Winter | Society of Local Authority Chief Executives (SOLACE) |
| Steven Grimmond | Society of Local Authority Chief Executives (SOLACE) |
| Sally Loudon | The Convention of Scottish Local Authorities (COSLA) |
| Joyce White | Society of Local Authority Chief Executives (SOLACE) |
| Elma Murray | Society of Local Authority Chief Executives (SOLACE) |
| Cllr Malcolm Bell | The Convention of Scottish Local Authorities (COSLA) |
| Cllr Neil Benny | The Convention of Scottish Local Authorities (COSLA) |
| Cllr Alison Evison | The Convention of Scottish Local Authorities (COSLA) |
| Cllr David O'Neill | The Convention of Scottish Local Authorities (COSLA) |

Funding is received from the Scottish Government. For the year under review total funding receivable was £6,642,722 (2017: £6,464,578). Payments totalling £590,578 (2017: £611,197) were made to the Scottish Government. At the balance sheet date £72 (2017: £14,275) was included within debtors.

Included within the total funding receivable figure is £1,655,800 (2017: £1,655,800) which relates to core income receivable from the Scottish Government.

During the year £140,761 (2017: £236,622) was payable to West Lothian Council in relation to transaction processing and income received of £28,745 (2017: £50,317). £567,973 was owed to West Lothian Council (2017: £1,140,911) at the balance sheet date, comprising £567,973 (2017: £1,167,684) included in creditors and £nil (2017: £26,773) included in debtors.

Other related party transactions include:

| **Public Body** | **Payable to £** | | **Receivable from £** | |
|---|---|---|---|---|
| | **2017/18** | **2016/17** | **2017/18** | **2016/17** |
| Aberdeenshire Council | - | n/a | 15,211 | n/a |
| East Lothian Council | 4,893 | - | 92,594 | 54,737 |
| Fife Council | 600 | - | 69,387 | 68,539 |
| North Ayrshire Council | 877 | - | 25,105 | - |
| Shetland Islands Council | - | - | 4,334 | 8,571 |
| Stirling Council | - | n/a | 20,045 | n/a |
| West Dunbartonshire Council | - | n/a | 20,970 | n/a |

n/a – were not related parties in the prior year

Other transactions with related parties include £313 (2017: £nil) of income receivable from, and £27,430 (2017: £27,755) of expenses payable to the Convention of Scottish Local Authorities (COSLA). £13,200 (2017: £10,815) is included in creditors at the balance sheet date. £nil (2017: £2,703) of income was receivable from, and £nil (2017: £574) of expenses were payable to the Society of Local Authority Chief Executives (SOLACE).

## 18. Post balance sheet events

The company is currently subject to an ongoing strategic review, the results of which have yet to be determined.