



**IMPROVEMENT SERVICE COMPANY
(Limited by guarantee)**

Company registration number SC287978

Financial Statements

For the year ended 31 March 2010

IMPROVEMENT SERVICE COMPANY

Financial statements for the year ended 31 March 2010

Contents	Pages
Directors, officers and advisers	1
Directors' report	2-7
Independent Auditors' report	8-9
Income and expenditure account	10
Statement of total recognised gains and losses	11
Balance sheet	12
Notes to the financial statements	13-20

IMPROVEMENT SERVICE COMPANY

Directors, officers and advisers

Directors

Gavin Whitefield
Cllr Patrick Watters
Roderick Mair
Colin Mair
Mary Pitcaithly
Bernadette Malone
Cllr Robert Murray
Cllr David O'Neil

Secretary and registered office

Mitre Secretaries Limited
101 George Street
Edinburgh
Midlothian
EH2 3ES

Registered number

SC287978

Auditors

Scott-Moncrieff
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Bankers

Bank of Scotland
Almondvale Centre
Livingston
West Lothian

Solicitors

CMS Cameron McKenna LLP
101 George Street
Edinburgh
Midlothian
EH2 3ES

IMPROVEMENT SERVICE COMPANY

Directors' report for the year ended 31 March 2010

The directors present their report and the audited financial statements for the year ended 31 March 2010.

The company was incorporated on 27 July 2005.

Principal Activity

The Improvement Service (IS) works to promote improvement in Local Government and among its partners so that they can serve customers and communities better. We do this by:

1. Encouraging councils and their partners to work together and helping them reap the extra benefits that come from good partnership working
2. Identifying and sharing best practice from the public, private and voluntary sectors in the UK and internationally
3. Providing learning and development opportunities to elected members, senior management and officers

Promoting the use of knowledge management within local authorities to support knowledge sharing, learning and business redesign

Review of Business

The net surplus after providing for taxation amounted to £176,090.

Operationally the company broke even. However the surplus for the year arises from the combined impact of FRS 17 pension entries, our contingency reserve provision, bank interest received and taxation charges.

Our deficit in funds arises from the FRS 17 pension liability of £625,000. We have comprehensively reviewed our cashflow position going forward and can state with confidence that our creditors and liabilities will be met as they fall due. The FRS 17 pension liability in the balance sheet is a longer term liability which we have taken steps to mitigate; as at 1st April 2010 we have a contingency reserve of £150,000 in place as well as an additional general reserve of £80,000. We will also continue to build on our contingency reserve year on year and have a pension guarantor arrangement in place with our partner organisation CoSLA and member councils. Finally, we are confident of securing three years of funding beyond March 2011 as part of the autumn spending review.

As well as delivering on all the key commitments outlined in our 2009/10 Business Plan, our programmes for the year have had a shared focus on capacity building; skills development and change/programme management, with a distinctive angle in each programme: whether towards outcome delivery, elected member development, shared services, workforce planning or improved knowledge management and practice sharing. A key corporate priority has been to ensure that development resources, capacity and skills are shared across programmes so that duplicate effort is eliminated and maximum benefit is available to councils and partnerships.

The gravity of the financial situation Local Government will face emerged as the year progressed. Planning for this new context, we quickly positioned ourselves to offer a range of ongoing support including:

1. Researching and preparing reports on financial scenarios, and their policy and service implications. On an ongoing basis the IS continues to participate in and support the Strategic Finance Review Group and the National Community Planning Group on these matters.
2. Developing a resource with Government and other public improvement functions for the forthcoming year to support capacity building, change and innovation around the Single Outcome Agreement. This will help support local partnerships to maximize the use of the total public budget in their area, and to eliminate barriers to efficient collaboration.
3. Developing benchmarks that allow councils to target areas for efficiency and productivity improvement. Moving forward the aim is to identify a small number of key indicators which can act as a corporate 'can opener' in identifying areas for improvement. In the absence of such a framework, transformation and shared services initiatives are harder to focus and more expensive to deliver.

IMPROVEMENT SERVICE COMPANY

Directors' report for the year ended 31 March 2010

4. Securing additional resources to support councils and their local partners in a period of substantial change. A key target for the IS will be to annually bring in resource at least equivalent to our core grant. In 2009/10 the IS brought in over £5.4million of which around 50% went to councils and 50% on programmes and projects (Customer First, Shared Services, Pensions Reform etc). However there is scope to look much more broadly across the charitable sector and the private sector, and think more imaginatively about opportunities for sponsorship and partnership and for closer alignment with major partners such as the Big Lottery.

Business Streams and Investment

Our financial statements clearly set out both our funding sources and spending for the year.

Key financials:

We carried forward a balance of £321,787 from 2008/09, approved by Scottish Government to deliver on various projects relating to our Shared Services programme.

We received £1.7M core grant funding and spent 96% of our total Budget in-year.

As well as our core grant funding we secured specific grants to deliver on the Shared Services, Customer First (programme office), Planning Development programmes and other specific initiatives, as follows:

	£
Customer First	650,000
Planning Development	727,000
Shared Services	310,000
Other Specific Grants	95,727
	<hr/>
	1,782,727
	<hr/> <hr/>

As we received a proportion of this grant funding in quarter 4 we were given Scottish Government approval to carry forward a balance of £406,548, all of which is committed to delivering projects in 2010/11.

Under the new governance arrangements agreed between the Scottish Government and the Improvement Service, where the IS will assume full management and financial responsibilities for the Customer First programme, we received £2.049 million from Scottish Government combined with a balance from councils of £864,505 to carry forward a total balance of £2.914 million to deliver the programme in 2010/11.

Achievements

We are pleased to report that we delivered on all key priorities as set out in our Business Plan for 2009/10.

Our highlights include:

- Continued support for councils and their partners to develop and deliver their Single Outcome Agreements (SOA's) including direct support to Community Planning Partnerships (CPP's) to help ensure that all 2nd Phase SOA's were agreed with Scottish Government by June 2009; the collation and dissemination of 47 case studies of good practice in SOA development and delivery; the publication of an updated menu of Local Outcome Indicators following consultation with a wide range of stakeholders; completion of the capacity building scoping exercise and agreement with Scottish Government on a support programme for CPP's; Initiation of the Regeneration Outcomes Project providing hands-on support to 5 local partnerships on embedding an outcomes approach.
- Continued support for elected members including a second round of masterclass workshops successfully delivered and a briefing series launched with a schedule of forward publications agreed. The IS have also successfully completed the continuous professional development (CPD) pilot project with six councils; the national launch of the framework to all councils is scheduled for June 2010. A supporting series of e-learning materials has also been produced / accumulated for use by elected members – notebooks, self development exercises and a range of on line resources.

IMPROVEMENT SERVICE COMPANY

Directors' report for the year ended 31 March 2010

- Continued to support councils develop local capacity to undertake effective workforce planning that is integrated with strategic planning processes and responsive to wider labour market conditions. This has involved development of tools and techniques, consultancy and employee development activities with individual councils, and work with other national organisations, such as CIPFA, sector skills councils, Scottish Government and regulatory agencies.
- Ongoing development and support for the Public Sector Improvement Framework (PSIF). 21 councils plus 8 fire and rescue services have adopted the model with a view to ensuring service delivery is underpinned by robust self assessment.
- Progressed the establishment of the infrastructure necessary to establish a national electronic resource repository which will a) host employee development materials created by the IS for local use by councils, b) provide the mechanism to share resources across councils for local customisation, c) identify opportunities for collaborative development, and d) highlight examples of good practice.
-

In conjunction with all other key public sector agencies, jointly run the 'Collaborating for Outcomes' programme, which included 20 local government delegates. The programme explored the leadership challenges of achieving successful outcomes, helped build local capacity, increased alignment across the public sector, and created sustainable networks of learning and support.

- Improving the knowledge base and identifying 'critical success factors' for change and transformation programmes in delivering savings and improvement. Lessons from major programmes in Scotland and the rest of the UK have been identified and used to support councils and partnerships in programme design and delivery.
- Supporting councils to access external support and resources for shared service and related change initiatives. Across the year over £5million was brokered with Scottish Government, the Big Lottery and independent funding bodies. 50% of that was raised on behalf of particular councils or groups of councils, and went directly to them. 50% was investment in national programmes such as Customer First, online Public Notices and Pension Scheme Reform.
- Advancement of diagnostic approach with 12 councils progressing to full business case and implementation likely to generate savings of at least £50 million per annum. A further 12 councils are also making good progress indicating benefits of up to £150million.
- Advancement of a strategy and approach which recognises knowledge management as a key enabler for improvement. Key highlights include a much improved and useful website which provides relevant content and is a gateway to knowledge and tools of value; a 30% increase in the active user base of the online communities of practice site where staff in Scottish councils are saving money and reducing duplication by actively sharing and building on each other's knowledge and expertise, particularly in areas of change and improvement.

IMPROVEMENT SERVICE COMPANY

Directors' report for the year ended 31 March 2010

- Ongoing management of the Customer First programme, highlights to date include:
 - A shared Information and Communications Technology (ICT) infrastructure for local government (and partners) which can underpin the development and delivery of shared services / business applications
 - A shared Citizen Account system (CAS) which provides each council with the facilities to keep accurate records of each of its customers (maintaining change of circumstances such as name, address, contact details, death notification, birth notification)
 - £3.5 million savings via the development of a national Customer Relationship Management (CRM) framework contract
 - £500,000 saved through 'Customer Service Professional' training
 - 60% reduction in customer services staff training time
 - 3.2 million property records held on the National Gazetteer – a complete data set for Scotland
 - 1,000 online planning applications per month via ePlanning
 - 20,000 home energy certificates being produced each month
 - National Licensing and the ongoing implementation of 90,000 shared licensing records on the National Personal Licensing Database
 - Up to £30 million annual transactional savings identified for local government via improving online and contact centre services
 - A Scottish public sector smartcard solution and shared Card Management System (CMS) for the National Entitlement Card (NEC) scheme
 - 1.1 million NEC customers and shared customer records
 - £4 million procurement savings from collaborative delivery of the NEC scheme
- 400,000 Young Scot NEC cards and shared customer records

Looking Forward

We have secured £1.7million grant funding for next year; the final year of the spending review period 2008/11.

In addition we have agreed specific grant funding of £300,000 for the Planning Development Programme and £93,000 for Shared Services projects. We have also secured £2.914 million to manage the Customer First programme.

Our Business for the coming year is set out in the IS Business Plan for 2010/11, which is the third annual plan derived from our three year Business Strategy. The plan can be accessed via the following link:

<http://www.improvementservice.org.uk/the-improvement-service>

As we go forward, the gravity of the financial situation councils will face is now much clearer and our partners COSLA and SOLACE share a common planning assumption of a 12% real reduction in current spending across the next spending review, combined with a 50% reduction in the public capital programme in Scotland.

At the same time, it is accepted that demand will increase substantially across the period due to demographic pressure and policy commitments (1.5% - 2% per annum) The IS needs to continue to make itself useful in this new context.

To that end one of our key priorities will be on reviewing and renewing the IS itself, and its business model. We must refocus both our corporate and programme activities and priorities to enhance the practical support we can offer to councils and their partners in what will be difficult and challenging times ahead. We are also undertaking a review of our resources and cost base, and will reduce our operating cost by 20%.

IMPROVEMENT SERVICE COMPANY

Directors' report for the year ended 31 March 2010

Directors

The directors who served during the year were:

Gavin Whitefield
Cllr Patrick Watters
Roderick Mair
Colin Mair
Mary Pitcaithly
Bernadette Malone
Roger White (resigned 10 March 2010)
Cllr Robert Murray (appointed 10 August 2009)
Cllr David O'Neil (appointed 13 August 2009)

Independence

Notwithstanding the existence of a family relationship with the Chief Executive of the Improvement Service the Board have concluded that Rory Mair, in his role as a Company Director and member of the Audit Committee has acted objectively and professionally in relation to all Improvement Service Business.

Directors' responsibilities

The directors are responsible for preparing 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Standards and applicable law). Under that 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 and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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.

IMPROVEMENT SERVICE COMPANY

Directors' report for the year ended 31 March 2010

Disclosure of information to auditors

To the knowledge and belief of the directors, there is no relevant information that the company's auditors are not aware of, and the directors have taken all the steps necessary to ensure the directors are aware of any relevant information, and to establish that the company's auditors are aware of the information.

Auditors

The auditors, Scott-Moncrieff, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Signed on behalf of the board

CLLR PATRICK WATTERS
Chairman
Improvement Service Company

Approved by the Board on

IMPROVEMENT SERVICE COMPANY

Independent auditors' report to the members of Improvement Service Company

We have audited the financial statements of Improvement Service Company for the year ended 31 March 2010 which comprise the income and expenditure account, statement of total recognised gains and losses, balance sheet and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors, including "APB Ethical Standard - Provisions Available for Small Entities (Revised)", in the circumstances set out in note to the financial statements.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2010 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.
-

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

IMPROVEMENT SERVICE COMPANY

Independent auditors' report to the members of Improvement Service Company

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

Nick Bennett (Senior Statutory Auditor)
for and on behalf of **Scott-Moncrieff, Statutory Auditor**
Chartered Accountants
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date: _____

IMPROVEMENT SERVICE COMPANY

Income and Expenditure Account

For the year ended 31 March 2010

	<u>Notes</u>	<u>2010</u> £	<u>2009</u> £
Turnover		3,871,866	3,603,320
Administrative expenses		<u>(3,717,227)</u>	<u>(3,493,798)</u>
Operating surplus	2	154,639	109,522
Other interest receivable and similar income		26,089	35,771
Interest payable and similar charges	5	-	<u>(3,000)</u>
Surplus on ordinary activities before taxation		180,728	142,293
Taxation on surplus on ordinary activities	6	<u>(4,638)</u>	<u>(7,512)</u>
Surplus for the financial year	10	<u>176,090</u>	<u>134,781</u>

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

The notes on pages 13 to 200 form part of these financial statements.

IMPROVEMENT SERVICE COMPANY
Statement of total recognised gains and losses
For the year ended 31 March 2010

	<u>2010</u> £	<u>2009</u> £
Surplus for the financial year	176,090	134,781
Actuarial (loss)/gain on the pension scheme	<u>(802,000)</u>	<u>112,000</u>
Total recognised gains and losses recognised since the last annual report	<u><u>(625,910)</u></u>	<u><u>246,781</u></u>

The notes on pages 13 to 200 form part of these financial statements.

IMPROVEMENT SERVICE COMPANY

Balance sheet at 31 March 2010

	<u>Notes</u>	<u>2010</u> £	<u>2009</u> £
Fixed assets			
Tangible assets	7	46,217	54,924
Current assets			
Debtors	8	1,871,640	340,292
Cash at bank and in hand		2,372,503	1,363,123
		<u>4,244,143</u>	<u>1,703,415</u>
Creditors: amounts falling due within one year	9	(4,102,025)	(1,642,094)
		<u>142,118</u>	<u>61,321</u>
Net current assets		142,118	61,321
Total assets less current liabilities		188,335	116,245
Pension (liability)/asset	15	(625,000)	73,000
		<u>(436,665)</u>	<u>189,245</u>
Net (liabilities)/assets		(436,665)	189,245
Capital and reserves			
Income and expenditure account	10	(536,665)	139,245
Designated reserves	10	100,000	50,000
		<u>(436,665)</u>	<u>189,245</u>
Company members' funds	11	(436,665)	189,245

The financial statements were authorised for issue by the board of directors on _____ and signed on its behalf by:

Colin Mair
Director

Company Registration No: SC287978

The notes on pages 13 to 20 form part of these financial statements.

IMPROVEMENT SERVICE COMPANY

Notes to the financial statements for the year ended 31 March 2010

1 Accounting policies (continued)

Going concern

The financial statements are prepared on a going concern basis. There are net liabilities at the year end and the income and expenditure reserves are in deficit. The directors are aware of this but consider the company to be a going concern from reviewing future cash flows and ability to meet their short term commitments as they fall due. Funding has been secured from the Scottish Government which will cover the activities of the company until March 2011.

Basis of accounting

The financial statements are prepared on the historical cost basis of accounting and have been prepared in accordance with applicable accounting standards.

The financial statements do not include a cash flow statement because the company, as a small reporting entity, is exempt from the requirements to prepare such a statement under applicable accounting standards.

Turnover

Turnover represents the value of goods and services supplied by the company, excluding value added tax.

Depreciation of tangible fixed assets

Depreciation is provided on all tangible fixed assets at rates calculated to write off the full cost or valuation less estimated residual value of each asset over its estimated useful life. The principal rates in use are:

Equipment, fixtures and fittings	3 - 10 years straight line
----------------------------------	----------------------------

Deferred taxation

Deferred tax is provided in respect of the tax effect of all timing differences that have originated but not reversed at the balance sheet date.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Pension scheme

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

In accordance with 'FRS 17 - Retirement Benefits', the operating and financing costs of pension and post retirement schemes (determined by a qualified actuary) are recognised separately in the Income and Expenditure Account. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise.

The difference between the actual and expected returns on assets during the year, including changes in the actuarial assumptions and also recognised in the Statement of Total Recognised Gains and Losses.

Grants

Grants of a revenue nature are credited to the income and expenditure account in the period in which they accrue.

IMPROVEMENT SERVICE COMPANY

Notes to the financial statements for the year ended 31 March 2010

Accounting policies

Other reserves

The Income and Expenditure Designated Reserve has been created to provide a reserve to meet the company's unanticipated needs over future years. This will cover the need to meet unforeseen contingencies, the wish to invest in future developments and the risks associated with the company's potential pension deficit. A transfer of £50,000 from the income and expenditure account to this Reserve was made during the year.

2 Operating surplus

This is stated after charging:

	<u>2010</u>	<u>2009</u>
	£	£
Directors' emoluments	128,439	120,231
Staff costs	<u>1,317,955</u>	<u>1,306,567</u>
Total staff costs (note 3)	1,446,394	1,426,798
Release of deferred Government grants	(23,025)	(24,676)
Depreciation	21,643	24,264
Loss on disposal of tangible fixed assets	1,382	412
Auditors' remuneration - Audit fee	6,125	6,500
Auditors' remuneration - fees for non audit services	6,125	6,500
Operating lease rentals - other assets	<u>52,450</u>	<u>65,639</u>

3 Employee information

	<u>2010</u>	<u>2009</u>
	£	£
Staff costs:		
Wages and salaries	1,231,762	1,206,535
Social security costs	110,774	96,696
Other pension costs	<u>103,858</u>	<u>123,567</u>
	<u>1,446,394</u>	<u>1,426,798</u>
Pension costs		
Pension contributions	203,858	175,567
FRS17 adjustment for contributions in the year	(205,000)	(146,000)
FRS17 adjustment for current service cost in the year	<u>105,000</u>	<u>94,000</u>
	<u>103,858</u>	<u>123,567</u>

The average number of persons employed during the year, including executive directors, was made up as follows:

	<u>2010</u>	<u>2009</u>
	Number	Number
Core Management	12	9
Customer First	6	5
Shared Services	4	5
Planning Development	3	3
Improving Outcomes	<u>4</u>	<u>5</u>
	<u>29</u>	<u>27</u>

IMPROVEMENT SERVICE COMPANY

Notes to the financial statements for the year ended 31 March 2010

4 Directors' emoluments

	<u>2010</u>	<u>2009</u>
	£	£
Emoluments	108,114	101,120
Company contributions to defined benefit pension schemes for directors	20,325	19,111
	<u>128,439</u>	<u>120,231</u>

Only one director, Colin Mair, is a member of the defined benefit pension scheme.

5 Interest payable and similar charges

	<u>2010</u>	<u>2009</u>
	£	£
Pension scheme interest	-	3,000
	<u>-</u>	<u>3,000</u>

6 Taxation on surplus on ordinary activities

	<u>2010</u>	<u>2009</u>
	£	£
United Kingdom corporation tax at 21% (2008: 20%)	4,638	7,512
Factors affecting tax charge for the period		
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21% (2009: 21%)	37,953	29,881
Effects of:		
Effect of income/expenditure not subject to tax	(33,315)	(22,369)
Current tax charge for the year	<u>4,638</u>	<u>7,512</u>

7 Tangible fixed assets

	<u>Equipment fixtures and fittings</u>
	£
Cost	
At 1 April 2009	110,049
Additions	14,317
Disposals	(2,398)
At 31 March 2010	<u>121,968</u>
Depreciation	
At 1 April 2009	55,125
Charge for the year	21,643
Disposals	(1,017)
At 31 March 2010	<u>75,751</u>
Net book value	
At 31 March 2010	<u>46,217</u>
At 31 March 2009	<u>54,924</u>

IMPROVEMENT SERVICE COMPANY

Notes to the financial statements for the year ended 31 March 2010

8 Debtors

	<u>2010</u>	<u>2009</u>
	£	£
Other debtors	4,347	-
Grants receivable	159,815	340,292
Amounts due from West Lothian Council	1,707,478	-
	<u>1,871,640</u>	<u>340,292</u>

9 Creditors: amounts falling due within one year

	<u>2010</u>	<u>2009</u>
	£	£
Trade creditors	241,863	161,518
Amounts owed to West Lothian Council	45,829	248,707
Other creditors	7,567	2,214
Corporation tax	4,638	7,512
Other tax and social security	51,243	17,742
Accruals and deferred income	3,750,885	1,204,401
	<u>4,102,025</u>	<u>1,642,094</u>

10 Reserves

	<u>Income and expenditure designated reserve</u>	<u>Income and expenditure account</u>
	£	£
At 1 April 2009	50,000	139,245
Surplus for the year	-	176,090
Total recognised gains and losses	-	(802,000)
Transfers during the year	50,000	(50,000)
At 31 March 2010	<u>100,000</u>	<u>(536,665)</u>

11 Reconciliation of movement in company members' funds

	<u>2010</u>	<u>2009</u>
	£	£
Surplus for the year	176,090	134,781
Actuarial (loss)/gain on pension scheme	(802,000)	112,000
Net reduction in (addition to) company members' funds	(625,910)	246,781
Company members' funds at 1 April 2009	189,245	(57,536)
Company members' funds at 31 March 2010	<u>(436,665)</u>	<u>189,245</u>

12 Leasing commitments

Operating leases

The company's annual commitments for rental payments under non-cancellable operating leases at 31 March 2010 were as set out below:

	<u>2010</u>	<u>2009</u>
	<u>Land and buildings</u>	<u>Land and buildings</u>
	£	£
Operating leases which expire:		
Within two to five years	45,000	45,000
	<u>45,000</u>	<u>45,000</u>

IMPROVEMENT SERVICE COMPANY

Notes to the financial statements for the year ended 31 March 2010

13 Related parties

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 the 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:

Director	Public Body	Position held
Cllr Patrick Watters	CoSLA	Councillor
Cllr Robert Murray	CoSLA	Councillor
Cllr David O'Neil	CoSLA	Councillor
Roderick Mair	CoSLA	Chief Executive
Gavin Whitefield	North Lanarkshire Council	Chief Executive
Roger White	Aberdeenshire Council	Head of Policy
Bernadette Malone	Perth and Kinross Council	Chief Executive
Mary Pitcaithly	Falkirk Council	Chief Executive

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
Cllr Patrick Watters	The Convention of Scottish Local Authorities
Cllr Robert Murray	The Convention of Scottish Local Authorities
Cllr David O'Neil	The Convention of Scottish Local Authorities
Roderick Mair	The Convention of Scottish Local Authorities
Gavin Whitefield	Society of Local Authority Chief Executives and Senior Managers
Roger White	Society of Local Authority Chief Executives and Senior Managers
Bernadette Malone	Society of Local Authority Chief Executives and Senior Managers
Mary Pitcaithly	Society of Local Authority Chief Executives and Senior Managers

The following directors also hold directorships with related organisations:

Director	Other directorships held
Cllr Patrick Watters	East Kilbride Crime Prevention Trust

Funding is received from the Scottish Government. In the year total funding receivable was £3,411,786 (2009: £3,337,407) and at 31 March 2010 £159,815 (2009: £340,292) was included within debtors.

Included within the total funding received figure is £1,700,000 which relates to core income received from Local Government. Income was received from the Convention of Scottish Local Authorities amounting to £nil in the year (2009: £99,561).

Transaction processing is provided by West Lothian Council. During the year £2,648,231 (2009: £3,068,935) was paid to West Lothian Council for transactions and £45,829 (2009: £248,707) was due to them at 31 March 2010. This amount is included within creditors.

IMPROVEMENT SERVICE COMPANY

Notes to the financial statements for the year ended 31 March 2010

14 Other professional services provided by the auditors

In common with many other businesses of our size and nature we use our auditors to prepare and submit returns to the tax authorities and assist with the preparation of the financial statements.

15 Pension costs

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested with insurance companies. Contributions to the scheme are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was performed at 31 March 2008 by Hymans Robertson, independent actuaries. Following this valuation employer's contributions increased to 195% of employee's contributions from 1 April 2009. The employers' contributions to the company will remain at 195% of employee's contributions until 2011/12. The next formal valuation will be undertaken 31 March 2011.

Hymans Robertson have calculated the pension assets and liabilities as at 31 March 2010 by rolling forward the valuation dated 31 March 2008, allowing for the changes in financial assumptions as prescribed under FRS 17.

The pension charge for the period was £103,858 (£123,567).

The main assumptions used in the calculations are:

	Assumptions 2010 % per anum	Assumptions 2009 % per anum
Price increases	4	3
Salary increases	5	5
Pension increases	7	7
Discount rate	6	7

The average life expectancy

	2010 Male	2010 Female
Current pensioners	21	24
Future pensioners	22	26

The expected return on assets is based on the long-term future investment for each asset class at 31 March 2010.

The fair value and expected return on assets is as follows:

	Long term 2010 %	Long term 2009 %
Equities	79	79
Bonds	8	11
Property	9	10
Cash	4	-

	Fund value at 2010 £	Fund value at 2009 £
Equities	1,935,000	1,231,000
Bonds	196,000	171,000
Property	220,000	156,000
Cash	98,000	-
	2,449,000	1,558,000

IMPROVEMENT SERVICE COMPANY

Notes to the financial statements for the year ended 31 March 2010

15 Pension costs (continued)

	<u>2010</u>	<u>2009</u>
	£	£
Estimated employer assets	2,449,000	1,558,000
Present value of scheme liabilities	(3,074,000)	(1,485,000)
Net pension (liability)/asset	(625,000)	73,000

Analysis of the amount recognised in the profit and loss account

	<u>2010</u>	<u>2009</u>
	£	£
Current service cost	87,000	94,000
Expected return on employer assets	(113,000)	(44,000)
Past service costs	18,000	-
Interest obligation	109,000	47,000
Total	101,000	97,000
Actual return on scheme assets	588,000	(107,000)

Changes in the fair value of scheme assets

	<u>2010</u>	<u>2009</u>
	£	£
Opening fair value of scheme assets	1,558,000	516,000
Expected return on assets	113,000	44,000
Contributions by members	101,000	57,000
Contributions by the employer	205,000	146,000
Actuarial gains	474,000	797,000
Benefits paid	(2,000)	(2,000)
Closing fair value of scheme assets	2,449,000	1,558,000

Changes in the present value of the defined benefit obligation

	<u>2010</u>	<u>2009</u>
	£	£
Opening defined benefit obligation	1,485,000	604,000
Interest cost	109,000	47,000
Current service cost	87,000	94,000
Contributions by members	101,000	57,000
Actuarial gains	1,276,000	685,000
Estimated benefits	(2,000)	(2,000)
Past service gains	18,000	-
Closing defined benefit obligation	3,074,000	1,485,000

IMPROVEMENT SERVICE COMPANY

Notes to the financial statements for the year ended 31 March 2010

15 Pension costs (continued)

5 year history of experience gains and losses

	<u>Year to</u> <u>2010</u> £	<u>Year to</u> <u>2009</u> £	<u>Year to</u> <u>2008</u> £	<u>Year to</u> <u>2007</u> £	<u>Year to</u> <u>2006</u> £
Scheme assets	2,449,000	1,558,000	516,000	381,000	322,000
Defined benefit obligation	(3,074,000)	(1,485,000)	(604,000)	(648,000)	(671,000)
(Deficit)/surplus	<u>(625,000)</u>	<u>73,000</u>	<u>(88,000)</u>	<u>(267,000)</u>	<u>(349,000)</u>
Experience adjustment on scheme assets	474,000	797,000	(45,000)	3,000	13,000
Experience adjustments on scheme liabilities	-	(886,000)	(1,000)	(1,000)	(301,000)

The estimated employer's contribution for the year to 31 March 2011 to its defined benefit pension plan is £211,000

IMPROVEMENT SERVICE COMPANY

Income and expenditure account for the year ended 31 March 2010

	<u>2010</u>	<u>2009</u>
	£	£
Turnover		
Core Management	1,650,441	1,596,231
Customer First	758,747	580,463
Shared Services	-	676,466
Planning Development	703,169	350,240
Shared Recruitment	-	53,743
Public Notice Portal	62,095	103,555
Other income	416,324	216,251
Improving Together	123,960	10,000
Pension Scheme Income	-	16,371
Workforce Planning & Development	51,715	-
LG Pensions Pathfinder	103,625	-
S C R Project	1,790	-
	<hr/>	<hr/>
	3,871,866	3,603,320
 Deduct: expenses		
Establishment	86,665	100,552
Administration	3,607,486	3,368,539
Financial	51	3,031
Depreciation	21,643	24,264
Loss on disposal of assets	1,382	412
	<hr/>	<hr/>
	3,717,227	3,496,798
 Other income		
Interest receivable	26,089	35,771
	<hr/>	<hr/>
Net surplus before taxation	<u>180,728</u>	<u>142,293</u>

IMPROVEMENT SERVICE COMPANY

Income and expenditure account for the year ended 31 March 2010

	<u>2010</u>	<u>2009</u>
	£	£
Establishment		
Rent	52,450	65,639
Rates	21,242	21,591
Light and heat	3,363	3,767
Insurance	3,652	3,342
Cleaning	5,546	4,542
Repairs and maintenance	412	1,671
	<hr/>	<hr/>
	86,665	100,552
	<hr/>	<hr/>
Administration		
Emoluments for services as directors	108,114	101,120
Company contributions to defined benefit pension schemes for directors	20,325	19,111
Office salaries	1,123,648	1,105,415
Employers NI	110,774	96,696
Employers pension costs	83,533	104,456
Staff training	30,071	22,506
Other staff costs	28,188	28,900
Management Training (non employee)	256,320	193,290
Telephone	24,259	24,710
Printing, postage and stationery	60,555	65,120
Advertising	12,069	20,463
Subscriptions	7,395	1,232
Computer consumables	69,565	80,053
Sundry expenses	9,698	4,026
Travelling	31,199	27,268
Amounts paid to other Public Sector organisations	200,000	-
Sponsorship	15,200	17,730
Audit fees	6,125	6,500
Other fees paid to auditor	6,125	6,500
Legal fees	4,523	12,725
Programme events	19,570	16,860
Consultancy fees	266,819	204,834
External room hire	18,141	6,854
Payments to other local authorities	490,865	105,014
Secondees	363,258	542,760
Corporate events	36,391	53,339
Recruitment costs	940	31,566
Irrecoverable VAT	122,024	195,484
Private contractors	104,817	298,683
Release of deferred government grant	(23,025)	(24,676)
	<hr/>	<hr/>
	3,607,486	3,368,539
	<hr/>	<hr/>
Financial		
Bank charges	51	31
	<hr/>	<hr/>
Depreciation		
Fixtures and fittings	21,643	24,264
Loss on sale of fixtures and fittings	1,382	412
	<hr/>	<hr/>
	23,025	24,676
	<hr/>	<hr/>