

Directors' Report & Financial Statements

IMPROVEMENT SERVICE COMPANY

Company registration number SC287978

Financial Statements

For the year ended 31 March 2009

IMPROVEMENT SERVICE COMPANY

Financial statements for the year ended 31 March 2009

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IMPROVEMENT SERVICE COMPANY

Directors, officers and advisers

Directors

Gavin Whitefield
Patrick Watters
Roderick Mair
Colin Mair
Roger White (appointed 27 February 2009)
Bernadette Malone (appointed 4 March 2009)
Mary Pitcaithly (appointed 2 June 2008)

Secretary and registered office

Mitre Secretaries Limited
101 George Street
Edinburgh
Midlothian
EH2 3ES

Registered number

SC287978

Auditors

Scott-Moncrieff
17 Melville Street
Edinburgh
EH3 7PH

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 2009

The directors present their report and the audited financial statements for the year ended 31 March 2009.

The company was incorporated on 27 July 2005.

Principal Activity

Our strategic aim is to support councils and their partners to improve the health, quality of life and opportunities for all people in Scotland through community leadership, strong local governance and the delivery of high quality efficient local services. The principal activity and core business of the company is to meet the need for advice, consultancy and programme support to assist in the delivery of the improvement agenda for local government in Scotland.

Review of Business

The net surplus after providing for taxation amounted to £134,781 (2008: £47,464).

It is made up of bank interest, the impact of the FRS17 pension adjustment and our contingency reserve provision.

Following the advent of the concordat agreement between Scottish Government and Local Government, this year has been a period of intense activity for the company with significant progress being made on many different levels.

As well as delivering on all the key commitments outlined in our 2008/09 Operational Plan, we have successfully implemented a structure which integrates our approach to better supporting councils. We have encouraged linkages across all our programme teams of which there are five:

Improving Outcomes, Organisational Development, Knowledge Management, Shared Services and Customer First.

In reality, all teams and programmes are inextricably linked by the key unifying theme of supporting councils and their partners to improve on outcomes.

We have continued to strengthen our in-house capacity and to diminish our dependence on external commissioning and have expanded our use of public sector secondees who bring a wealth of knowledge and expertise to the IS.

Part of the concordat agreement transferred core funding for the Improvement Service from Central Government to Local Government, at the same time Central Government withdrew from the partnership agreement. Changes in our governance arrangements to reflect this new status are nearing completion. We have appointed two additional Directors from SOLACE and we are in the process of appointing a further two Directors from COSLA. We are also at the point of finalising a new membership agreement with all 32 councils, who now have the ability to shape the Business Plan, vote for Directors and hold the Board to account at the company AGM.

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Directors' report for the year ended 31 March 2009 (continued)

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 £869,135 from 2007/08, approved by Scottish Government to deliver on various projects mainly in relation to our Shared Services programme.

We received £1.7M core grant funding and spent 99.5% 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) and Planning Development programmes, as follows:

	£
Shared Services	250,000
Customer First	533,563
Planning Development	<u>350,240</u>
	1,133,803

As we received the Shared Services funding in January we were given Scottish Government approval to carry forward a balance of £223,625, all of which is committed to delivering projects in 2009/10. We also deferred £98,162 of the 2007/08 Shared Services grant to finalise the Public Information Notices project and the Workforce Planning project in the first quarter of 2009/10.

We secured Customer First monies of £538,000 from a number of councils to fund the programme office through to the end of the spending review.

Achievements

We are pleased to report that we have achieved all the objectives as set out in our Operational plan for 2008-2009.

Our highlights include:

- Support for councils and their partners to develop and deliver their Single Outcome Agreements (SOA's) contributing to the work of the Concordat Oversight Group including preparation of the SOA Guidance for CPP's and the Interim Report for Local Government on the 1st phase SOA's in 2008/09. The IS has also facilitated the development of advice for councils including critical friend feedback. A significant current activity in support of SOA's is the Improving Local Outcome Indicators Project which will improve and expand the availability of indicators for the measurement of outcomes.
- Continued support for elected members including the launch of a national development framework strategy and progression of the continuous professional development (CPD) pilot project, with six councils through the first phase. The IS have also launched a master-class and member briefing series to engage elected members on current issues relevant to Scottish local government.
- Development of a national shared recruitment portal with the launch of the MyJobsScotland website where over 800 public sector jobs per week are now advertised.
- Completion of the preliminary phase of the workforce planning project to determine the national strategic workforce planning capacity, including design of standard templates, evaluation of existing workforce planning data and activity, assessment of existing national workforce capacity and development of links with relevant stakeholders.
- Ongoing development and support for the roll-out of the Public Sector Improvement Framework (PSIF). 19 councils are now using the model with a view to ensuring service delivery is underpinned by robust self assessment.
- Development of a post graduate masters programme in management development validated by Napier University and available for use by all 32 councils. The programme incorporates national

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Directors' report for the year ended 31 March 2009 (continued)

modules, localised management modules and work-based learning modules which can be tailored to reflect individual council priorities.

- Roll out of the diagnostic approach with the identification of over 200 Business cases presenting opportunities to simplify, standardise and share. The IS are playing a key role in driving forward business case initiatives.
- Advancement of a strategy and approach which recognises knowledge management as a key enabler for improvement. A key element of this approach was the roll-out of the Communities of Practice Platform. At end 2008/9 there were over 60 Scotland-based active practitioner networks using the platform which represents an increase of over 200% on the same time last year. Towards the end of the year a soft launch of a redeveloped website for the IS took place which saw usage levels and number of registered users increase by 25% and 37% respectively.
- Ongoing management of the Customer First programme, key deliverables include:
 - i. A national gazetteer, i.e. complete, consistent and accurate addresses for over 2.3 million properties across Scotland; The gazetteer is now used to support new national applications in ePlanning and for issuing Energy Certificates for the new Homebuyers packs.
 - ii. A Citizen Account System which allows councils to keep accurate, up to date, records of their customers. Basic accounts now exist for all national entitlement card holders (1.5m). User testing is complete and work continues with a group of pilot councils in respect of registration and authentication services and the local services to be delivered via the national ICT infrastructure.
 - iii. Underpinning the Customer Relationship Management (CRM) programme within a national framework – including a national contract - and putting in place management arrangements to co-ordinate the roll out of the contract with a number of lead councils. There are now 15 Councils adopting the product.
 - iv. A National Personal Licensing system and National Personal Licenses Register and Database (NPLD); The NPLD web portal went live in May 2008 and use of the system continues to grow with input into the system rising by 120% since January 2009. This figure is expected to continue rising significantly during the run up to 1st September 2009 when personal licenses granted under the Licensing (Scotland) Act 2005 take effect.
 - v. Work to deploy the national infrastructure to underpin a new Scottish public services portal (the OneScotland portal) and start to integrate the citizens' portal into 'OneScotland'.
 - vi. Continued support of the national entitlement card scheme and development of a Scottish public sector card management system (CMS). There are now over 1.5 million card holders using their NEC to access the Scotland-wide concessionary travel schemes. March 2009 saw the launch of the new CMS able to deliver a full online solution for registration, processing and issuing of the NEC.
 - vii. Roll out of a Customer Service Professional qualification across Scotland partnership with SQA and endorsed by COSLA and SOLACE Over 100 staff are currently undertaking the training and October 2008 saw the first graduates of the scheme.
 - viii. Work to develop the Customer Satisfaction and Experience Measurement project. A project manager was appointed in January 2009 and work is progressing to establish common standards and a question bank for the project.

Looking Forward

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

In addition we have agreed specific grant funding of £670,000 for the Customer First programme office and £450,000 for the Planning Development Programme.

Our Business for the coming year is set out in the IS Operational Plan for 2009/10, which is the second annual plan derived from our three year Business Strategy. It documents how we have shaped our priorities to meet the needs of councils and their partners and how we will work to support councils to set, monitor and deliver improved outcomes. The plan can be accessed via the following link:

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

As we go forward, Councils face severe uncertainty⁴ about the scale of spending that will be available to

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Directors' report for the year ended 31 March 2009 (continued)

them, and their local partners, to meet community needs. As well as the priorities noted in the business plan, we will work with COSLA, SOLACE and our council partners to:

- I. More accurately predict the scale of future financial constraint, and to identify strategic options for delivering priority outcomes in the most cost effective ways.
- II. Bring new money into the sector to allow innovation and development. The Board has tasked us this year to bring £500k from non-governmental sources and that will go directly to councils.
- III. Ensure that shared capacity we have created (recruitment portal, public notices portal, Customer First, etc) is fully exploitable and exploited to create maximum benefits for councils across Scotland.

Finally, as we move towards being a membership organisation, we will take all steps to ensure we are fully responsible and accountable to our members. We will also deepen our partnership with COSLA to ensure that resources and capacity are used to the full benefit of our mutual membership.

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Directors' report for the year ended 31 March 2009 (continued)

Directors

The directors who served during the year were:

Gavin Whitefield
Patrick Watters
Roderick Mair
Colin Mair
Roger White (appointed 27 February 2009)
Bernadette Malone (appointed 4 March 2009)
Mary Pitcaithly (appointed 2 June 2008)
Ruth Parsons (resigned 23 April 2008)

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

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the surplus or deficit of the company for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and 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 maintaining proper accounting records which 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. It is also their responsibility to safeguard the assets of the company and hence to take reasonable steps to prevent and detect fraud and other irregularities.

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

A resolution to reappoint Scott-Moncrieff as auditors of the company will be proposed at the forthcoming annual general meeting.

Signed on behalf of the board

PATRICK WATTERS
Chairman
Improvement Service Company

Approved by the Board on

IMPROVEMENT SERVICE COMPANY

Independent auditors' report to the shareholders of Improvement Service Company

We have audited the financial statements of Improvement Service Company for the year ended 31 March 2009 which are set out on pages 9 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members as a body, in accordance with Section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all of the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have undertaken the audit in accordance with the requirements of APB Ethical Standards including APB Ethical Standard - Provisions Available for Small Entities, in the circumstances set out in note 14 to the financial statements.

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Independent auditors' report to the shareholders of Improvement Service Company (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of its surplus for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Scott-Moncrieff

Registered Auditor

Chartered Accountants

Eligible to act as an auditor in terms of Section 25 of the Companies Act 1989

17 Melville Street

Edinburgh

EH3 7PH

Date: _____

IMPROVEMENT SERVICE COMPANY**Income and expenditure account for the year ended 31 March 2009**

	<u>Notes</u>	<u>2009</u>	<u>2008</u>
		£	£
Turnover		3,603,320	5,102,437
Administrative expenses		(3,493,798)	(5,080,805)
Operating surplus	2	109,522	21,632
Other interest receivable and similar income		35,771	38,540
Interest payable and similar charges	5	(3,000)	(5,000)
Surplus on ordinary activities before taxation		142,293	55,172
Taxation on surplus on ordinary activities	6	(7,512)	(7,708)
Surplus for the financial year	10	134,781	47,464

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

The notes on pages 12 to 20 form part of these financial statements.

IMPROVEMENT SERVICE COMPANY
Statement of total recognised gains and losses
For the year ended 31 March 2009

	<u>2009</u>	<u>2008</u>
	£	£
Surplus for the financial year	134,781	47,464
Actuarial gain on the pension scheme	112,000	162,000
Total recognised gains and losses recognised since the last annual report	<u>246,781</u>	<u>209,464</u>

The notes on pages 12 to 20 form part of these financial statements.

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Balance sheet at 31 March 2009

	<u>Notes</u>	<u>2009</u>	<u>2008</u>
		£	£
Fixed assets			
Tangible assets	7	54,924	67,148
Current assets			
Debtors	8	340,292	308,805
Cash at bank and in hand		1,363,123	1,684,883
		<u>1,703,415</u>	<u>1,993,688</u>
Creditors: amounts falling due within one year	9	(1,642,094)	(2,030,372)
		<u>61,321</u>	<u>(36,684)</u>
Net current assets/(liabilities)		61,321	(36,684)
Total assets less current liabilities		116,245	30,464
Pension asset/(liability)	15	73,000	(88,000)
Net assets/(liabilities)		189,245	(57,536)
Capital and reserves			
Income and expenditure account	10	139,245	(57,536)
Income and expenditure account - designated reserve	10	50,000	-
		<u>189,245</u>	<u>(57,536)</u>
Company members' funds	11	189,245	(57,536)

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

Colin Mair
Director

The notes on pages 12 to 20 form part of these financial statements.

IMPROVEMENT SERVICE COMPANY

Notes to the financial statements for the year ended 31 March 2009

1 Accounting policies

Going concern

The directors consider that the company continues to be viable as there is an agreement in place with the Scottish Government to provide funding for 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 on a discounted basis, 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.

Hire purchase and lease transactions

Rentals under operating leases are charged to the profit and loss account as they fall due.

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.

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.

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Notes to the financial statements for the year ended 31 March 2009 (continued)

2 Operating surplus

This is stated after charging:

	<u>2009</u>	<u>2008</u>
	£	£
Directors' emoluments	120,231	109,947
Staff costs	<u>1,306,567</u>	<u>977,249</u>
Total staff costs (note 3)	1,426,798	1,087,196
Release of deferred Government grants	(24,676)	(20,129)
Depreciation of owned assets	24,264	19,909
Loss on disposal of tangible fixed assets	412	182
Auditors' remuneration - Audit fee	6,500	6,500
Auditors' remuneration - fees for non audit services	6,500	7,428
Operating lease rentals - other assets	<u>65,639</u>	<u>39,162</u>

3 Employee information

	<u>2009</u>	<u>2008</u>
	£	£
Staff costs:		
Wages and salaries	1,206,535	930,089
Social security costs	96,696	63,838
Other pension costs	<u>123,567</u>	<u>93,269</u>
	<u>1,426,798</u>	<u>1,087,196</u>
Pension costs		
Pension contributions	175,567	115,269
FRS17 adjustment for contributions in the year	(146,000)	(112,000)
FRS17 adjustment for current service cost in the year	94,000	90,000
	<u>123,567</u>	<u>93,269</u>

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

	<u>2009</u>	<u>2008</u>
	Number	Number
Core Management	9	13
Customer First	5	6
Shared Services	5	3
Planning Development	3	1
Equalities	-	1
Improving outcomes	5	-
	<u>27</u>	<u>24</u>

4 Directors' emoluments

	<u>2009</u>	<u>2008</u>
	£	£
Emoluments	101,120	92,483
Company contributions to defined benefit pension schemes for directors	19,111	17,464
	<u>120,231</u>	<u>109,947</u>

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

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Notes to the financial statements for the year ended 31 March 2009 (continued)

5 Interest payable and similar charges

	2009	2008
	£	£
Pension scheme interest	3,000	5,000

6 Taxation on surplus on ordinary activities

	2009	2008
	£	£
United Kingdom corporation tax at 21% (2008: 20%)	7,512	7,708

Factors affecting tax charge for the period

Surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21% (2008: 20%)	19,382	11,034
Effects of:		
Expenses not deductible for tax purposes	(11,870)	(3,326)
Current tax charge for the year	7,512	7,708

7 Tangible fixed assets

	Equipment fixtures and fittings
	£
Cost	
At 1 April 2008	98,009
Additions	12,490
Disposals	(450)
At 31 March 2009	110,049
Depreciation	
At 1 April 2008	30,861
Provision for the year	24,264
At 31 March 2009	55,125
Net book value	
At 31 March 2009	54,924
At 31 March 2008	67,148

8 Debtors

	2009	2008
	£	£
Other debtors	-	6,732
Grants receivable	340,292	302,073
	340,292	308,805

IMPROVEMENT SERVICE COMPANY

Notes to the financial statements for the year ended 31 March 2009 (continued)

9 Creditors: amounts falling due within one year

	2009	2008
	£	£
Trade creditors	161,518	313,696
Amounts owed to West Lothian Council	248,707	673,716
Other creditors	2,214	-
Corporation tax	7,512	7,708
Other tax and social security	17,742	13,990
Accruals and deferred income	1,204,401	1,021,262
	<u>1,642,094</u>	<u>2,030,372</u>

10 Reserves

	Income and expenditure designated reserve	Income and expenditure account
	£	£
At 1 April 2008	-	(57,536)
Surplus for the year	-	134,781
Total recognised gains and losses	-	112,000
Transfers during the year	50,000	(50,000)
At 31 March 2009	<u>50,000</u>	<u>139,245</u>

11 Reconciliation of movement in company members' funds

	2009	2008
	£	£
Surplus for the year	134,781	47,464
Actuarial gain on pension scheme	112,000	162,000
Transfer from income and expenditure account	(50,000)	-
Movement in other reserves	50,000	-
Net addition to company members' funds	246,781	209,464
Company members' funds at 1 April 2008	(57,536)	(267,000)
Company members' funds at 31 March 2009	<u>189,245</u>	<u>(57,536)</u>

12 Leasing commitments

Operating leases

The company's annual commitments for rental payments under non-cancellable operating leases at 31 March 2009 were as set out below:

	2009 Land and buildings	2008 Land and buildings
	£	£
Operating leases which expire:		
Within one year	-	16,329
Within two to five years	45,000	-
	<u>45,000</u>	<u>16,329</u>

IMPROVEMENT SERVICE COMPANY

Notes to the financial statements for the year ended 31 March 2009 (continued)

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
Patrick Watters	-	Councillor
Roderick Mair	Local Government	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
Ruth Parsons <i>(resigned 23 April 2008)</i>	Scottish Government
Patrick Watters	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
Patrick Watters	Scottish Leadership Foundation East Kilbride Crime Prevention Trust

Funding is received from the Scottish Government. In the year total funding receivable was £3,337,407 (2008: £4,971,503) and at 31 March 2009 £338,775 (2008: £302,073) was included within debtors.

Included with 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 £99,561 in the year (2008: £nil).

Transaction processing is provided by West Lothian Council. During the year £3,068,935 (2008: £5,088,981) was paid to West Lothian Council for transactions (and £248,707 (2008: £687,706) was due to them at 31 March 2009- this is included within creditors.

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.

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Notes to the financial statements for the year ended 31 March 2009 (continued)

15. Pension scheme

Defined benefit scheme

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 profit and loss 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 as 31 March 2008.

The pension charge for the period was £123,567 (2008: £93,269).

A provision of £17,742 (2008: £5,402) is included in creditors, representing the excess of the accumulated pension cost over the amount funded.

The principal actuarial assumptions used by the actuary are as follows:

	31 March 2009	31 March 2008
	% pa	% pa
Pension Increase Rate	3.1%	3.6%
Salary Increase Rate	4.6%	5.1%
Expected Return on Assets	6.6%	7.2%
Discount Rate	6.9%	6.9%
Inflation Assumption	3.1%	3.6%

Life expectancy is based on the PFA92 and PMA92 'year of birth' tables. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	19.8 years	22.8 years
Future Pensioners	21.0 years	24.0 years

The major categories of plan assets as a % of total plan assets:

	31 March 2009	31 March 2008
Equities	79%	76%
Bonds	11%	9%
Property	10%	12%
Cash	0%	3%

IMPROVEMENT SERVICE COMPANY

Notes to the financial statements for the year ended 31 March 2009 (continued)

15. Pension scheme (continued)

The amounts recognised in the balance sheet are as follows:

	31 March 2009	31 March 2008
	£'000	£'000
Fair value of employer assets	1,558	516
Present value of funded liabilities	(1,485)	(604)
	<hr/>	<hr/>
Net overfunding in funded plans	73	(88)
	<hr/>	<hr/>
Present value of unfunded liabilities	-	-
Unrecognised past service cost	-	-
	<hr/>	<hr/>
Net Asset	73	(88)
	<hr/>	<hr/>
Amount in the Balance Sheet		
Liabilities	-	88
Assets	73	-
	<hr/>	<hr/>
Net Asset	73	(88)
	<hr/> <hr/>	<hr/> <hr/>

The amounts recognised in the income and expenditure account are as follows:

	Year ended	Year ended
	31 March 2009	31 March 2008
	£'000	£'000
Current service cost	94	90
Interest on obligation	47	38
Expected return on employer assets	(44)	(33)
Past service cost / (gain)	-	-
Losses / (gains) on curtailments and settlements	-	-
	<hr/>	<hr/>
Total	97	95
	<hr/> <hr/>	<hr/> <hr/>
Actual Return on Scheme Assets	(107)	(12)
	<hr/> <hr/>	<hr/> <hr/>

IMPROVEMENT SERVICE COMPANY

Notes to the financial statements for the year ended 31 March 2009 (continued)

15. Pension scheme (continued)

Changes in the fair value of scheme assets are as follows:

	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Opening fair value of scheme assets	516	381
Expected return on assets	44	33
Contribution by members	57	36
Contributions by the employer	146	112
Contributions in respect of unfunded benefits	-	-
Actuarial gains / (losses)	797	(46)
Assets distributed on settlements	-	-
Exchange differences	-	-
Unfunded benefits paid	-	-
Benefits paid	(2)	-
	<u>1,558</u>	<u>516</u>
Closing fair value of scheme assets	<u>1,558</u>	<u>516</u>

Changes in the present value of the defined benefit obligation are as follows:

	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Opening Defined Benefit Obligation	604	648
Current service cost	94	90
Interest cost	47	38
Contributions by members	57	36
Actuarial losses / (gains)	685	(208)
Past service costs / (gains)	-	-
Losses / (gains) on curtailments	-	-
Liabilities extinguished on settlements	-	-
Exchange differences	-	-
Estimated unfunded benefits paid	-	-
Estimated benefits paid	(2)	-
	<u>1,485</u>	<u>604</u>
Closing Defined Benefit Obligation	<u>1,485</u>	<u>604</u>

Analysis of amounts recognised in the Statement of Total Recognised gains & losses (STRGL):

	31 March 2009 £'000	31 March 2008 £'000
Actuarial gains/(losses)	112	162
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	-	-
Actuarial gains/(losses) recognised in STRGL	<u>112</u>	<u>162</u>
Cumulative actuarial gains and losses	<u>(8)</u>	<u>(120)</u>

IMPROVEMENT SERVICE COMPANY

Notes to the financial statements for the year ended 31 March 2009 (continued)

15. Pension scheme (continued)

Amounts for the current and four previous periods:

	31 March 2009 £'000	31 March 2008 £'000	31 March 2007 £'000	31 March 2006 £'000	31 March 2005 £'000
Fair value of employers assets	1,558	516	381	322	-
Present value of defined benefit obligation	(1,485)	(604)	648	(671)	-
Surplus/(deficit)	73	(88)	(267)	(349)	-
Experience gains/(losses) on assets	797	(45)	3	13	-
Experience gains/(losses) on liabilities	(886)	(1)	(1)	(301)	-

The estimated employer's contribution for the year to 31 March 2010 to its defined benefit pension plan is £214,000.

IMPROVEMENT SERVICE COMPANY

Income and expenditure account for the year ended 31 March 2009

	2009	2008
	£	£
Turnover		
Core Management	1,596,231	2,006,676
Customer First	580,463	545,795
Shared Services	676,466	281,452
Planning Development	350,240	778,051
Shared Recruitment	53,743	916,213
Public Notice Portal	103,555	497,950
Other income	216,251	76,300
Improving Together	10,000	-
Pension Scheme Income	16,371	-
	3,603,320	5,102,437
Deduct: expenses		
Establishment	100,552	76,542
Administration	3,368,539	4,983,978
Financial	3,031	5,194
Depreciation	24,676	20,091
	3,496,798	5,085,805
Other income		
Interest receivable	35,771	38,540
Net surplus before taxation	142,293	55,172

IMPROVEMENT SERVICE COMPANY

Income and expenditure account for the year ended 31 March 2009 (continued)

	2009	2008
	£	£
Establishment		
Rent	65,639	39,162
Rates	21,591	22,490
Light and heat	3,767	3,728
Insurance	3,342	4,710
Cleaning	4,542	5,202
Repairs and maintenance	1,671	1,250
	<u>100,552</u>	<u>76,542</u>
Administration		
Emoluments for services as directors	101,120	92,483
Company contributions to defined benefit pension schemes for directors	19,111	17,464
Office salaries	1,105,415	837,606
Employers NI	96,696	63,838
Employers pension costs	104,456	75,805
Staff training	22,506	37,088
Other staff costs	28,900	8,045
Management Training (non employee)	193,290	461,484
Telephone	24,710	17,102
Printing, postage and stationery	65,120	71,198
Advertising	20,463	-
Subscriptions	1,232	1,429
Computer consumables	80,053	117,780
Sundry expenses	4,026	8,157
Travelling	27,268	56,357
Sponsorship	17,730	15,653
Audit fees	6,500	6,500
Other fees paid to auditor	6,500	7,428
Legal fees	12,725	10,334
Programme events	16,860	93,485
Consultancy fees	204,834	913,510
External room hire	6,854	31,578
Service charges	-	22,000
Payments to other local authorities	105,014	315,825
Secondees	542,760	428,750
Corporate events	53,339	30,789
Recruitment costs	31,566	17,509
Irrecoverable VAT	195,484	311,831
Private contractors	298,683	876,807
Publications	-	30,076
Business development	-	26,196
Release of deferred government grant	(24,676)	(20,129)
	<u>3,368,539</u>	<u>4,983,978</u>
Financial		
Pension scheme interest	3,000	5,000
Bank charges	31	194
	<u>3,031</u>	<u>5,194</u>
Depreciation		
Fixtures and fittings	24,264	19,909
Loss on sale of fixtures and fittings	412	182
	<u>24,676</u>	<u>20,091</u>