Company registration number SC287978 (Scotland)

IMPROVEMENT SERVICE COMPANY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

IMPROVEMENT SERVICE COMPANY

COMPANY INFORMATION

Directors	Ms S Gadsden	
	Ms A Scott	
	Councillor N Benny	(Resigned 1 December 2023)
	Councillor S Macdonald	
	Councillor S Morrison	
	Ms L McMillan	(Resigned 12 June 2023)
	Councillor E Forson	(Resigned 1 December 2023)
	Mrs M Sandison	
	Mr A Kerr	(Resigned 13 March 2024)
	Ms L Long	(Appointed 1 May 2023)
	Councillor J Mowat	(Appointed 9 April 2024)
	Councillor C Miller	(Appointed 9 April 2024)
	Mr P Manning	(Appointed 1 April 2024)

Company Number	SC287978
Registered Office	West Lothian Council Civic Centre Howden South Road Livingston West Lothian EH54 6FF
Auditor	Thomson Cooper 3 Castle Court Carnegie Campus Dunfermline Fife KY11 8PB
Bankers	Bank of Scotland (Livingston) 54 Almondvale South Livingston EH54 6NB
Solicitors	CMS Cameron McKenna LLP Saltire Court 20 Castle Terrace Edinburgh EH1 2EN

IMPROVEMENT SERVICE COMPANY

CONTENTS

IMPROVEMENT SERVICE COMPANY

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2024

Introduction

The directors present their strategic report for Improvement Service Company ("the Improvement Service" or "IS") for the year ended 31 March 2024.

Principal Business Activity

Improvement Service Company 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 loss for the year was £1,704 (2023: net loss £708,572).

As a not-for-profit organisation and consistent with all previous financial years, at an operational level the company broke even. However, the deficit for the year arises from the impact of FRS 102 pension costs of £78,000 and bank interest received of £76,296. (Actual bank interest received £126,296, reduced by £50,000 which was transferred to operational income for the ongoing development of the IS improvement architecture).

Last year, mainly due to a significant change in the discount rate on the assumed future investment returns, a large reduction in the obligations on the pension fund was reported. The resulting surplus was not recognised, as the accounting standard FRS102 section 28.22 states that 'an entity shall recognise a plan surplus as a defined benefit plan asset only to the extent that it is able to recover the surplus, either through reduced contributions in the future or through refunds from the plan'.

This year, whilst there was a slight reduction in the actuarial valuation, at 31 March 2024 a pension asset of £5,051,000 still existed. Again, this has not been recognised, along with net positive investment interest on the pension of £267,000, also not included in the financial statements. Therefore, the financial statements have been adjusted and record no pension assets for a second year running.

2023/24 marked another very successful year for the Improvement Service. We launched our new Strategic Framework 2023 – 2027, which is grounded in four strategic priorities:

- We will assist local authorities to transform and transition to new models of service delivery.
- We will support local government to deliver sector-led improvement in a range of policy and service areas.
- We will provide leadership and facilitate collaboration to enable a more preventative, integrated approach to tackling poverty and inequality.
- We will support local government to deliver digital and data enabled transformation.

We reviewed our organisational structure in line with our refreshed Strategic Framework, to ensure that we have the skills and capacities necessary to deliver our priorities and to achieve savings.

Our main achievements from 2023/24 are captured in our Annual Report. Some key highlights are as follows:

- For every £1 of core grant invested in the Improvement Service, we brought in an additional £6.68.
- The Board agreed a new Financial Sustainability Strategy, which included increasing overhead recovery for grant funded programmes to 12.5% to cover increasing operating costs.
- We successfully maintained our ISO 27001 accreditation.
- We are now a certified Disability Confident Employer and we have signed the Miscarriage Association Pregnancy Loss Pledge.
- We adopted a Digital First approach to our own way of working, as well as how we engage with our clients and stakeholders.
- We moved to premises within West Lothian Civic Centre, Livingston and this downsizing reflects our new Hybrid Working Policy.
- The Board, Audit Committee and organisation (all employees) each undertook a self-assessment and agreed a two-year improvement plan.
- We launched a new Data and Intelligence Strategy and prospectus for our Data and Intelligence services. This is designed to demonstrate to local authorities how we can use our extensive range of data and analytical skills to help them and their partners to increase the impact of the services and activities they provide.

Transformation, Performance and Improvement

- We have been working with Solace Scotland on a local government transformation programme, which is developing options for the future delivery of council services. The programme builds on an Improvement Service report published in October 2022, which identified six anchors as key areas for transformation. We launched a call for action at the Solace Scotland conference in September 2023, for colleagues to get involved in supporting the delivery of the transformation programme, which is comprised of three workstreams. Workstream 1 is focused on an officer-led whole system dialogue on public service reform. Workstream 2 is comprised of six short to medium term transformation projects: collaboration within the local government sector on procurement; analysis of local government's statutory and discretionary services; the full implementation of Crerar for local government; development of a digital to be state for Scottish local government; identification of new digital shared services that could be delivered regionally and nationally; and repository of examples of active communities/participatory design. Workstream 3 is focused on developing the capacity to lead and deliver the transformation work, including establishing a Leadership Practitioner Forum for aspiring Chief Executives, Directors and Heads of Service. Delivery of the workstreams commenced in January 2024, with over 100 volunteers coming forward from within Scottish local government to participate in the work.
- We supported the Scottish Local Authorities Remuneration Committee (SLARC) to gather and analyse evidence on what the roles, responsibilities and workloads are for elected members across Scotland, to inform the Committee's recommendations to Ministers. We advised the Committee on topics of enquiry that should inform their evidence, utilised the infrastructure and support of our governance and research teams to survey members and governance officers, and supported analysis of the qualitative and quantitative data gathered. This work was essential and supported a key priority for Local Government for the removal of barriers which prevent a more diverse range of people being able to stand for, and remain in, elected office.

- Our Research Team created a new interactive visualisation in April 2023 that allows users to explore sub-council area population projections for the whole of Scotland. Sub-council population projections provide an indication of the potential future population size and structure for small areas within local authorities. The new tool uses maps, graphs and data downloads to allow users to more easily analyse the current set of published sub-council area population projections.

- The new Public Service Improvement Framework (PSIF) 2023 was launched at the annual PSIF Learning Event after its three-yearly review. This review also coincided with recent changes to Audit Scotland's approach to auditing Best Value, which places increased importance on councils being able to evidence a consistent and coordinated approach to self-assessment. Two-thirds of councils in Scotland now use our PSIF process to drive improvement.

- Our Communications Team developed a new Council Hub for staff. This compiles useful facts, figures and documents relating to local authorities in one place, making it easier for colleagues to find the information they need and improving our relationship management process with key council colleagues. The Council Hub pages also incorporate Improvement Service digital data dashboards including the LGBF, Spatial Hub and others to help staff make the most of our own resources. A new online Staff Hub has also been created to help staff access essential internal services and to improve communication between teams.

- The 11th annual Local Government Benchmarking Framework (LGBF) National Benchmarking Overview Report was published in March, and introduces data from 2021/22, a period when communities and council services were still managing the significant ongoing impact of Covid, while new challenges were emerging in the shape of soaring inflationary pressures and a cost of living crisis. The launch of our new LGBF dashboard allowed us to release LGBF data quarterly throughout 2023, and from April 2024 it is intended that data releases will be provided on a monthly basis.

- Working with COSLA, Solace, the Digital Office for Scottish Local Government, Public Health Scotland and Scottish Government, we completed phase 1 of the Local Government Data Platform project. A report outlining the findings and recommendations from Phase 1 was endorsed by Solace and COSLA Leaders. This phase aimed to better understand the current reporting landscape and the key findings point to the significant and increasing volume of current reporting, the lack of focus on outcome improvement, and the lack of oversight or awareness of what data is being collected and how it is being used. There was strong endorsement for the recommendation that Local Government and Scottish Government should use the Verity House Agreement to ensure a focus on reporting which is essential to evidence improvement in outcomes in partnership, ensuring that we take account of existing data reporting and consider streamlining and reducing where possible. We are continuing to work with partners to progress Phase 2 of this project which will focus on simplification and streamlining of the reporting landscape, as well as delivering improved coordination of the data collection that continues to be necessary for assurance purposes, reducing the effort for manual data collection and improving the re-use of data collected.

- We developed proposals for a new approach to Peer Collaborative Improvement, which were endorsed by COSLA Leaders in January 2024, as part of local government's commitment to adopt a more assertive approach to sector-led performance improvement.

- We appointed Scotland's first National Planning Improvement Champion, who will monitor the performance of planning authorities and provide advice on how to improve, as well as take the lead on developing a performance management model for planning authorities, sharing good practice and embedding learning across the sector.

- Phase One of the Shaping Places for Wellbeing Programme, a joint project between the Improvement Service and Public Health Scotland came to an end in March 2024. The team has gathered impact stories from across the seven project towns - Alloa, Ayr, Clydebank, Dalkeith, Dunoon, Fraserburgh and Rutherglen – to show how the work of the programme has made a difference in these communities.

- We developed proposals for the new Scottish Climate Intelligence Service (SCIS), which is jointly funded by Scottish Government and local government to help councils build capacity and capability for the development of area-wide programmes of emissions reduction, to deliver their own area-wide net zero targets and to contribute to Scotland's national commitment to net zero by 2045. Activity will be delivered by a partnership between the Improvement Service, the Edinburgh Climate Change Institute and Sustainable Scotland Network (SSN). This brings together expert knowledge and practitioner insights, a track record of successfully supporting local authorities and access to existing networks to engage stakeholders and progress actions.

- The Improvement Service was at the Scottish Parliament in May to give evidence to the Local Government, Housing and Planning Committee on Community Councils. 2023 was the 50th anniversary of the legislation which created Community Councils, and the Holyrood Committee wanted to celebrate their achievements as well as look at how they could be improved in the future. In October 2023, a new set of guidance documents for Community Councils were published by the Improvement Service, Scottish Community Development Centre (SCDC), COSLA and the Scottish Government.

- In June 2023, we published a new report on embedding access to money and welfare rights advice in education settings following an online event chaired by the Child Poverty Action Group (CPAG) Scotland with the Improvement Service and Public Health Scotland.

- The United Nations Convention on the Rights of the Child (Incorporation) (Scotland) Act 2024 gained Royal Assent in January 2024 and we are actively supporting local authorities across Scotland to prepare for the incorporation of the UNCRC and to take forward a children's rights approach to policy and practice. We have produced a number of resources aimed at local government and the wider public sector to support the implementation of UNCRC legislation.

Digital Public Services

- In August 2018, our Digital Public Services team entered into contracts with suppliers to provide technology and innovation services to support the delivery of the Digital Public Services portfolio. The contract terms were for a maximum of five years, meaning existing contracts were due to end during August 2023. With support from Scotland Excel, we conducted procurement activities to secure new contracts to ensure stability and continuity of service to our ever-growing customer base. Those procurement activities are now complete, and contracts have been signed with three suppliers for the following services: IT Services and Solutions - Tata Consultancy Services (TCS); Hosting Services – Brightsolid Online Technology Ltd; Identity Verification Services – Yoti Ltd.

- Our mygovscot myaccount service continued to increase its user base to over 2.3 million users, accounting for 48% of the eligible Scottish population (aged 12+). The mygovscot myaccount toolkit, which comprises a variety of authentication, identity verification and data services, is now used by 40 organisations across Scotland, including all 32 local authorities.

- With over 2.7 million cardholders, the National Entitlement Card continues to support the delivery of national and local services, making it convenient for citizens to access various public services and facilities with only one card. A new National Entitlement Card Strategy, developed by the Improvement Service, Transport Scotland, Young Scot, Scottish Government, National Entitlement Card Programme Office (NECPO) and all 32 local authorities, was published in the autumn of 2023 and sets out a vision for the future of the scheme, including the development of a new Digital National Entitlement Card.

- Scotland's online application platform to apply for a National Entitlement Card is now used by all 32 local authorities and uses mygovscot myaccount's authentication and identity verification services. Since it was launched in July 2020, getyournec.scot has facilitated almost one million applications for a National Entitlement card for over 60s concessionary travel, disabled concessionary travel, young person's free bus travel and Young Scot cards. The getyournec.scot platform was also shortlisted in the Digital Public Services Award category at the 2023 Scottish Public Service Awards.

- Now used by 16 local authorities (due to become 20 during 2024) and across 1,318 schools, the use of parentsportal.scot continues to grow. 2023 saw the highest usage of the platform to date and it is now used by over 180,000 parents/ guardians to access educational services related to over 250,000 children. Following a redesign of the platform in early 2023, the Digital Public Services Team also launched a mobile application version for both Android and iOS users.

- June saw the launch of a new service datapipeline.scot, which was developed in response to a request by councils for information on families in their area with a child who is eligible for funded early learning and childcare (ELC). The platform was developed by the Improvement Service, working with Tata Consultancy Services, to allow Scottish councils to securely access that data after it has been received from the Scottish Government via Social Security Scotland, Department of Work and Pensions and HM Revenues and Customs.

- We launched open access to the Spatial Hub, a local government data resource covering the whole of Scotland. This is the first time in the UK that such a significant geospatial resource has been made available as open data: open for anyone to access, use and share as they see fit. Until now, Spatial Hub datasets were only available to public sector organisations and academics, but with support from the Scottish Government, we were able to make this information available to everyone.

- We promoted the use of the One Scotland Gazetteer webservice to local authorities last year. This is a free address lookup service for the public sector that can be connected into almost any system within government, saving money on licence costs while also preventing duplication of effort. During 2023, there were a total of 3,742,289 searches using the One Scotland Gazetteer.

Financial control and reporting

The new finance system (SAGE Intacct), which is fully administered and configured by the Improvement Service's finance team, has been fully implemented with no issues. In the last year, customised reports have been developed and financial dashboards which provide live system data for budget holders have been rolled out. A dashboard guide and financial training for dashboard users has also been written. Also, a suite of financial procedures has been developed in alignment with the new system.

As part of our revised treasury policy, it is planned to optimise the return on cash balances held, using highly rated institutions for fixed term deposits. A low-risk approach ensures that cashflow is carefully managed and sufficient funds are available at all times in order to meet organisational running costs and ensure project expenditure occurs within agreed timeframes. Counterparty risk is kept under regular review, ensuring that yield is not prioritised over security. The extra interest earned will support further development of our improvement architecture and increase reserves, in line with our reserves policy.

Business Streams and Investment

Our financial statements set out income and expenditure for the year.

Key Financials

The Improvement Service core funded grant of £1.656M continued in 2023/24, secured as part of the Local Government Finance Settlement. We also continued to receive £4.1M of funding from Scottish Government to manage and deliver our Digital Public Services. In early 2024, we received confirmation from Scottish Government that £2.7M of the £4.1M grant is funded via the Local Government Finance Settlement, with the remaining £1.4M coming from Scottish Government to deliver the concessionary travel card element of the National Entitlement Card.

We brought forward a balance of £5.752M deferred income from the last financial year and this year carry forward a balance of £5.495M, with full approval from all funding organisations. Bank interest of £0.126M was received, £0.050M of which was approved for operational purposes, with the remainder of £0.076M going to reserves.

Income	**£**
Deferred income brought forward	5,752,202
Grant income received in year	11,940,070
Transfer from bank interest received	50,000
Total operational income	17,742,272
Deferred income carried forward	(5,495,300)
Income expended in year	**12,246,972**

We continued to develop our funding base and achieved additional resources of £2.290M above budget.

Total grant income secured in the year to 31st March 2024 was £11,940,070. An analysis of the income is shown in the table below:

Source of Grant Funding	**£**
Scottish Government Block Grant	1,656,000
Scottish Government NEC grant for concessionary travel cards	1,400,000
Local Government Settlement Grant for Digital Public Services	2,700,000
Scottish Government Other funding	4,729,455
Local Authority Funding	272,019
Commercial	533,837
Other Income	648,759
Total	**11,940,070**

Next Year Financials

We will receive £1.656M Revenue Support Grant to fund our core programmes for 2024/25, similar to last year. We will receive £2.7M via the Local Government Finance Settlement to fund our Digital Public Services portfolio and £1.4M from Scottish Government to fund the concessionary travel card element of the National Entitlement Card.

Including the above, our annual budget for 2024/25 estimates total income of £11.204M.

We aim to further increase funding through the development of new income streams, including maximising our investment interest and through our new Data and Intelligence Strategy and prospectus for our Data and Intelligence services.

Key Performance Indicators

IS key performance indicators for 2023/24 are noted below:

Key Performance Indicators	Target	Actual
Programme Performance	96%	99%
Staff satisfaction	75%	82%
Customer satisfaction	75%	88%
Sickness absence	1.50%	1.16%

The Forward Context

We are operating in an increasingly challenging financial context within Scottish Local Government. Our core grant of £1.656M, funded through the Local Government Finance Settlement, has been cash-flat since 2011/12. During 2024/25, we will continue to seek new opportunities for business development and growth/income generation opportunities aligned to our strategic priorities. We will also progress our Treasury Strategy to maximise return on investments.

We will welcome four new Board members onto the Improvement Service Board, replacing Board members who have stood down. Two of these will be local authority Chief Executives nominated by Solace and the remaining two will be elected members nominated by COSLA. We will also support the Board with a light-touch review of the company's governance arrangements, following a comprehensive review which was undertaken in 2020.

We will refresh our approach to performance reporting, including developing a new strategic performance dashboard for the Improvement Service Board. Linked to this, we will develop our approach to measuring our impact, including being able to evidence value-for-money and where possible, to evidence what our activities are worth in financial terms.

We will embed our new financial management system across the company and develop new finance procedures aligned to our system. We will also roll out financial dashboards to budget managers, developing a business partnering approach with written guidance and financial training.

We will continue to embed our approach to cyber security/information security management systems and protect and maintain our ISO27001 certification.

We will continue to invest in the development of our employees and will review our Performance Appraisal and Personal Development plan process to ensure that it is fit for purpose in terms of individual and organisational development.

We will continue to strengthen our approach to local authority relationship management and establish positive and productive working relationships with new local authority Chief Executives. We will also continue to strengthen our partnerships with COSLA, Solace Scotland and Public Health Scotland and our Strategic Alliance with the Accounts Commission. In particular, we will continue to work with Solace Scotland to deliver the Solace/IS transformation programme and to lead on the transformation project focused on delivering more digital shared services nationally and regionally.

This report was approved by the Board on 13th December 2024 and signed on its behalf by

SMorrison

Councillor Shona Morrison

Director

The directors present their annual report and financial statements for the year ended 31 March 2024.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Ms S Gadsden

Councillor S Morrison

Councillor S Macdonald

Councillor N Benny (resigned 1 December 2023)

Councillor E Forson (resigned 1 December 2023)

Ms L McMillan (Resigned 12 June 2023)

Ms A Scott

Ms M Sandison

Ms L Long (appointed 1 May 2023)

Mr A Kerr (resigned 13 March 2024)

Councillor J Mowat (appointed 9 April 2024)

Councillor C Miller (appointed 9 April 2024)

Mr P Manning (appointed 1 April 2024)

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 surplus or deficit 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

IMPROVEMENT SERVICE COMPANY

DIRECTORS REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

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.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

SMorrison

Councillor Shona Morrison

Director

13th December 2024

IMPROVEMENT SERVICE COMPANY

REPORT OF THE AUDIT COMMITTEE

FOR THE YEAR ENDED 31 MARCH 2024

Reporting to the Company Board, the Audit Committee provides a key source of assurance about the company's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and nonfinancial performance.

During the financial year 2023/24, the serving Audit Committee were:

- David Robertson (Chair), Chief Executive, Scottish Borders Council - representing Solace from August 2019.
- Angela Scott Chief Executive, Aberdeen City Council - representing the IS Board from February 2021.
- Councillor Sandra Macdonald, Aberdeen City Council - representing the IS Board from October 2022.

During 2023/24, the Audit Committee met on four occasions:

- 19th May 2023
- 28th August 2023
- 13th November 2023
- 16th February 2024

Business meetings were conducted via Microsoft Teams and copies of the minutes of all meetings are available from Donna McVeigh at the Improvement Service - donna.mcveigh@improvementservice.org.uk

A standing item on the Audit Committee Agenda was the Quarterly Finance, Operations and HR Report, which included:

- Quarterly Management Accounts
- Financial Statements, including Operational Income and Expenditure, Profit and Loss, Balance Sheet and Cashflow Statement
- A 12-month rolling Cashflow Forecast
- Quarterly budget reforecast
- A progress report on outstanding West Lothian Council debtor balances
- A progress report on the development of revised procedures for the new finance system
- A report on HR activity monitoring establishment numbers to ensure these are aligned with available funding
- A progress report on the delivery of the Business Plan
- An update on the corporate risk register

In the course of the year the Audit Committee also:

- Reviewed options for a new Finance system
- Reviewed Business Continuity and Disaster Recovery arrangements
- Carried out a self-assessment of the operation and effectiveness of the Audit Committee and agreed an improvement plan following the Public Service Improvement Framework (PSIF)
- Approved a revised Treasury Management Policy
- Approved a revised Reserves Policy
- Completed the Annual Audit Committee Report for inclusion in Annual Accounts/Report
- Considered and recommended Board approval of the 2022/23 Annual Accounts and External Auditor's Report thereon
- Approved the Internal Audit Report from West Lothian Council
- Agreed the areas of focus for internal audit in 2024/25 and 2025/26
- Approved the External Audit mini tender document and took part in interviews with prospective auditors
- Approved a proposal for optimal management of cash investments
- Considered and recommended Board approval of the 2024/25 budget and business plan

All of the above matters were reported on a regular basis to the IS Board and it is pleasing to note that the Annual Accounts for 2022/23 again reflect a sound financial position and supported by a positive report from our external auditors once again.

In closing, I would wish to place on my record my sincere thanks to members of the Audit Committee, officers of the IS, our external auditors Thomson Cooper and West Lothian Council Internal Audit for their valued contributions and support.

David Robertson, CPFA

Chair of the Improvement Service Audit Committee

IMPROVEMENT SERVICE COMPANY

INDEPENDENT AUDITORS REPORT

TO THE MEMBERS OF IMPROVEMENT SERVICE COMPANY

Opinion

We have audited the financial statements of Improvement Service Company (the 'company') for the year ended 31 March 2024 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including 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 2024 and of its deficit 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 UK, including the FRC'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 opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of our 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.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Extent to which the audit was considered capable of detecting irregularities, including fraud
We considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: existence and timing of recognition of income and posting of unusual journals along with complex transactions. We discussed these risks with management, designed audit procedures to test the timing and existence of revenue, tested a sample of journals to confirm they were appropriate and reviewed areas of judgement for indicators of management bias to address these risks.

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the officers and other management (as required by the auditing standards).

We reviewed the laws and regulations in areas that directly affect the financial statements including financial and taxation legislation and considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

With the exception of any known or possible non-compliance with relevant and significant laws and regulations, and as required by the auditing standards, our work in respect of these was limited to enquiry of the officers and management of the company.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This 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 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.

S Coll

Sharon Collins (Senior Statutory Auditor)
For and on behalf of Thomson Cooper, Statutory Auditors
Dunfermline

18/12/24

IMPROVEMENT SERVICE COMPANY

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2024

	Notes	2024 £	2023 £
Income		12,246,972	12,001,702
Establishment costs		(52,714)	(224,028)
Administrative expenses		(12,272,258)	(12,380,674)
Operating deficit	**4**	(78,000)	(603,000)
Interest receivable and similar income	**7**	76,296	18,428
Interest payable and similar expenses	**8**	-	(124,000)
Deficit before taxation		(1,704)	(708,572)
Tax on deficit		-	-
Deficit for the financial year		(1,704)	(708,572)
Other comprehensive income			
Actuarial gain on defined benefit pension schemes		78,000	5,127,000
Total comprehensive income for the year		76,296	4,418,428

The profit and loss account has been prepared on the basis that all operations are continuing operations.

IMPROVEMENT SERVICE COMPANY

BALANCE SHEET

AS AT 31 MARCH 2024

	Notes	2024 £	2024 £	2023 £	2023 £
Fixed Assets					
Tangible Assets	9		1,913		2,914
Current Assets					
Debtors	10	1,707,865		1,743,856	
Short-term Investments		7,618,339		7,570,042	
Cash at bank and in hand		518,646		1,005,303	
		9,844,850		10,319,201	
Creditors: amounts falling due within one year	11	(9,036,161)		(9,587,809)	
Net current assets			808,689		731,392
Total assets less current liabilities			810,602		734,306
Net assets (liabilities)			810,602		734,306
Reserves					
Income and Expenditure account	14		810,602		734,306
Members' Funds			810,602		734,306

The financial statements were approved by the board of directors and authorised for issue on 13 December 2024 and signed on its behalf by:

SMorrison

S Morrison

Director

Company Registration No. SC287978

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2024

	Pension reserves £	Other Reserves £	Total £
Balance at 31 March 2022	(4,400,000)	715,878	(3,684,122)
Year Ended 31 March 2023:			
Loss for the year	(727,000)	18,428	(708,572)
Other comprehensive income:			
Actuarial gains on defined benefit plans	5,127,000	-	5,127,000
Total comprehensive income for the year	4,400,000	18,428	4,418,428
Balance at 31 March 2023	-	734,306	734,306
Year Ended 31 March 2024:			
Loss for the year	(78,000)	76,296	(1,704)
Other comprehensive income:			
Actuarial gains on defined benefit plans	78,000	-	78,000
Total comprehensive income for the year	-	76,296	76,296
Balance at 31 March 2024	-	810,602	810,602

IMPROVEMENT SERVICE COMPANY

STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 MARCH 2024

	Notes	£	2024 £	£	2023 £
Cash flows from operating activities					
Cash generated from (absorbed by) operations	16		(564,656)		3,126,966
Investing activities					
Purchase of tangible fixed assets		-		(2,998)	
Proceeds of disposal of tangible fixed assets		-		27,670	
Proceeds from disposal of investments		-		-	
Interest received		126,296		18,428	
Net cash generated from investing activities			126,296		43,100
Net increase in cash and cash equivalents			(438,360)		3,170,066
Cash and cash equivalents at beginning of year			8,575,345		5,405,279
Cash and cash equivalents at end of year			8,136,985		8,575,345

Accounting policies

1 Company information

The principal activity of the company in the year under review was that of 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: West Lothian Council Civic Centre, Howden South Road, Livingston, West Lothian, EH54 6FF.

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 2024.

1.1 Accounting convention

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 required the use of certain critical accounting estimates. It also required management to exercise judgment in applying the company's accounting policies (see note 2).

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.

1.2 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.

At the time of approving the financial statements the directors consider that the company has adequate resources to continue in operational existence for a period of not less than twelve months. The directors have reviewed the cashflow requirements and are satisfied that the company has sufficient cash reserves. The directors consider that both short term liquidity and longer-term financial viability is appropriate and as such continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Income and Expenditure

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.

1 Accounting policies (continued)

1.3 Income and expenditure (continued)

- 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.

Interest Income

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

1.4 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 the 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.

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.

1 Accounting policies (continued)

1.5 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.

1.6 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 les 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 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.

1 Accounting policies (continued)

1.6 Financial Instruments (continued)

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 impairment.

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.

Other financial assets
Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in surplus or deficit, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets
Financial assets, other than those held at fair value through surplus and deficit, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in surplus or deficit.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in surplus or deficit.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Other financial liabilities
Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in surplus or deficit in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

1 Accounting policies (continued)

1.6 Financial Instruments (continued)

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.7 Taxation

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

1.8 Retirement Benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

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 plain assets. Any asset resulting from the calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

1.9 Leases

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

1.10 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

1.11 Judgements 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 judgment in applying the company's accounting policies.

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

2 Judgements and key sources of estimation uncertainty (continued)

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

Defined benefit pension and other post-employment benefits.
The present value of the defined pension and other post-employment benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pension and other post-employment benefits include the discount rate. Any changes in these assumptions will have an effect on the carrying amount of pension and other post-employment benefits.

After taking appropriate professional advice, management determines the appropriate discount rate at the end of each reporting period. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, consideration is given to the interest rates of high- quality corporate bonds that are denominated in the currency which the benefits are to be paid and that have terms to maturity approximating the terms of the related pension liability.

3 Turnover

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

	2024	2023
	£	£
Corporate and running costs	1,595,208	1,594,460
Transformation Performance and Improvement	4,092,124	3,074,226
Digital Public Services	6,457,634	7,225,215
Partnerships	102,006	107,801
Total	12,246,972	12,001,702

The allocation of income categories for the year ended 31 March 2023 have been restated to align with the current organisational structure. Total income for that financial year remains unchanged.

4 Operating loss

	2024	2023
	£	£
Operating loss for the year is stated after charging/(crediting):		
Fees payable to the company's auditor for audit of the company's financial statements	11,499	7,339
Depreciation of owned tangible fixed assets	1,001	16,342
Profit on disposal of tangible fixed assets	-	(4,065)
Operating lease charges	30,656	67,763

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2024	2023
	Number	Number
Corporate and running costs	8	8
Transformation Performance and Improvement	53	46
Digital Public Services	30	33
Total	**91**	**87**

Their aggregate remuneration comprised:	2024	2023
	£	£
Wages and salaries	4,311,759	3,717,051
Social security costs	451,281	418,100
Pension costs	815,712	1,272,159
Total	**5,578,752**	**5,407,310**

5 Employees (Continued)

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

- Chief Executive
- Head of Finance and Governance
- Head of Transformation, Performance and Improvement
- Head of Digital Public Services

Total remuneration paid to the key management personnel was £475,758 (2023: £448,119)

6 Director's remuneration

	2024	2023
	£	£
Remuneration for qualifying services	135,517	125,765
Company pension contributions to defined benefit schemes	24,664	22,889
	160,181	148,654

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

7 Interest receivable and similar income

	2024	2023
	£	£
Interest Income		
Interest on bank deposits	126,296	18,428
Less approved transfer to Core income to fund improvement projects	(50,000)	-
Net interest included in Statement of Comprehensive Income	76,296	18,428
Interest income includes the following:		
Interest on financial assets not measured at fair value through surplus or deficit	76,296	18,428

8 Interest payable and similar expenses

	2024	2023
	£	£
Other finance costs:		
Net interest on the defined benefit liability	(267,000)	124,000
FRS102 Asset restriction	267,000	-
	-	124,000

9 Tangible fixed assets

	Fixtures and Fittings £
Cost	
At 1 April 2023	2,998
Additions	-
Disposals	-
At 31st March 2024	2998
Depreciation and impairment	
At 1 April 2023	84
Depreciation charged in year	1001
Eliminated in respect of disposals	-
At 31 March 2024	1,085
Carrying amount	
At 31 March 2024	1,913
At 31 March 2023	2,914

10 Debtors

	2024	2023
Amounts falling due within one year:	£	£
Trade debtors	1,430,639	1,403,776
Other debtors	145,544	252,205
Prepayments	131,640	87,711
Accrued Income	42	163
Total	**1,707,865**	**1,743,855**

11 Creditors: Amounts falling due within one year

	2024	2023
	£	£
Trade creditors	1,986,641	2,546,088
Other creditors	159,595	252,205
Accruals	977,788	903,443
Income in Advance	263,623	19,396
Taxation	153,214	114,475
Deferred Income	5,495,300	5,752,202
Total	**9,036,161**	**9,587,809**

12 Retirement benefit schemes

	2024	2023
	£	£
Charge to profit or loss in respect of defined contribution schemes	24,664	22,889

Defined benefit schemes

The company is an admitted body of Lothian Pension Fund. The Superannuation Fund is a defined benefit scheme into which employees and employers 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 2020. Following this valuation, minimum employer's contribution rates were set at 18.2% with no addition employer contributions for the years ending 31 March 2022, 2023 and 2024 respectively.

An actuarial valuation on 31 March 2024 has set the minimum rate for employer contributions at 17.6% for the years ending 31 March 2025, 2026 and 2027.

	2024	2023
Key assumptions	%	%
Discount rate	4.85	4.75
Expected rate of increase of pensions in payment (CPI)	2.75	2.95
Expected rate of salary increases	3.25	3.45

Mortality assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI2022 data, a 0% weighting of 2021 (and 202) data, standard smoothing (Sk7) initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. for both males. and females Based on these assumptions, the average future life expectancies at age 65 for the Employer are summarised below:

	2024	2023
	Years	Years
Current pensioners:		
- Males	22.0	19.9
- Females	22.4	22.9
Future pensioners:		
- Males	22.8	21.2
- Females	25.0	24.7

	2024	2023
Amounts recognised in the profit and loss account	£	£
Current Service Cost	742,000	1,636,000
Net interest on net defined benefit liability / (asset)	(267,000)	124,000
Interest not recognised	267,000	-
Total Costs	742,000	1,760,000

12 Retirement benefit schemes (continued)

Amounts taken to other comprehensive income	2024 £	2023 £
Actual return on scheme assets	(267,000)	(11,353,000)
Less: calculated interest element	1,057,000	574,000
Return on scheme assets excluding interest income	790,000	(10,779,000)

The amounts included in the balance sheet arising from the company's obligations in respect of defined benefit plans are as follows:

	2024 £	2023 £
Present value of defined benefit obligations	18,016,000	16,155,000
Fair value of plan assets	(23,067,000)	(21,807,000)
Asset not recognised	5,051,000	5,652,000
Deficit in scheme	-	-

Movements in the present value of defined benefit obligations	2024 £
Liabilities at 1 April 2023	16,155,000
Current Service Cost	742,000
Plan introductions, changes, curtailments and settlements (Past service cost)	191,000
Benefits paid	(326,000)
Contributions from scheme members	278,000
Interest cost	790,000
Remeasurements	186,000
At 31 March 2024	18,016,000

The defined benefit obligations arise from plans funded as follows:	2024 £
Wholly unfunded obligations	-
Wholly or partly funded obligations	18,016,000

Movements in the fair value of plan assets	2024 £
Fair value of assets at 1 April 2023	21,807,000
Interest income	1,057,000
Return on plan assets (excluding amounts included in net interest)	1,031,000
Plan introductions, changes, curtailments and settlements	-
Benefits paid	(326,000)
Contributions by the employer	855,000
Contributions by scheme members	278,000
Remeasurements – Other experience	(1,635,000)
At 31 March 2024	23,067,000

12 Retirement benefit schemes (continued)

The actual return on plan assets was £267,000 (2023: £11,353,000)

Fair value of plan assets at the reporting period end	2024 £	2023 £
Equities	16,608,240	15,919,110
Bonds	3,921,390	3,052,980
Property	1,845,360	1,526,490
Cash	692,010	1,308,420
	23,067,000	21,807,000

The estimated employer contributions for the year to 31 March 2025 are £718,000.

In accordance with FRS 102, the overall plan surplus of £5,051,000 (2023: £5,652,000) has not been recognised as the company has no agreement with the scheme to recover the surplus.

13 Members' liability

The company is limited by guarantee, not having a share capital and consequently the liability of members is limited, subject to an undertaking by each member to contribute to the net assets or liabilities of the company on winding up such amounts as may be required not exceeding £1.

14 Reserves

Other reserves

The other reserves (previously known as the Change Fund) include all current and prior period retained profits and losses. At 31 March 2024 Other reserves amount to £153,602.

Designated Reserve

A designated reserve of £657,000 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 a potential pension scheme deficit.

15 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:

Director	Public Body	Position Held	Nominating body
Ms S Gadsden	Improvement Service Company	Chief Executive	
Ms A Scott	Aberdeen City Council	Chief Executive	SOLACE
Mrs M Sandison	Shetland Islands Council	Chief Executive	SOLACE
Mr A Kerr	Edinburgh City Council	Chief Executive	SOLACE
Ms L Long	Inverclyde Council	Chief Executive	SOLACE
Mr P Manning	South Lanarkshire Council	Chief Executive	SOLACE
Ms L McMillan	East Renfrewshire Council	Chief Executive	SOLACE
Cllr N Benny	Stirling Council	Councillor	COSLA
Cllr Shona Morrison	Moray Council /The Convention of Scottish Local Authorities	Councillor/ President	COSLA
Cllr S Macdonald	Aberdeen City Council	Councillor	COSLA
Cllr E Forson	Clackmannanshire Council	Councillor	COSLA
Cllr J Mowat	Edinburgh City Council	Councillor	COSLA
Cllr C Miller	Edinburgh City Council	Councillor	COSLA

SOLACE - Society of Local Authority Chief Executives

COSLA - The Convention of Scottish Local Authorities

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

15 Related party transactions (continued)

Balances due to/from Related Parties are as follows:

Public Body	**Payable to**		**Receivable from**	
	2023/24	**2022/23**	**2023/24**	**2022/23**
	£	**£**	**£**	**£**
Aberdeen City Council	-	-	7,660.00	8,516.00
Aberdeenshire Council	-	6,500.00	-	8,878.71
City of Edinburgh Council	136,420.42	129,798.34	7,920.00	7,546.00
Clackmannanshire Council	-	-	10,350.00	6,421.00
East Renfrewshire Council	-	5,967.78	6,870.00	6,851.00
Fife Council		1,458.00	-	8,811.00
Inverclyde Council	168,477.00	3.00	6,461.00	5,476.00
Moray Council	-	-	8,311.60	6,306.00
Shetland Islands Council	-	-	8,113.94	5,906.00
South Lanarkshire Council	-	-	8,530.00	-
Stirling Council	35,000.00	-	7,580.00	7,889.10

During the year the following transactions were undertaken with connected parties:-

- Funding was received from the Scottish Government totalling £10,485,455 (2023: £8,889,626). Payments totalling £190,000 (2023: £190,000) were made to the Scottish Government. Included within this funding is £1,656,000 (2023: £1,656,000) which relates to core income receivable.

- £44,094 (2023: £13,308) of income received, and £14,405 (2023: £7,150) of expenses payable to the Convention of Scottish Local Authorities (COSLA). £Nil (2023: £Nil) is included in creditors at the balance sheet date.
- £2,237 (2023: £1,150) of expenses payable to Society of Local Authority Chief Executives (SOLACE).

- £120,201 (2023: £173,575) was payable to West Lothian Council in relation to rent and rates along with transaction processing and other fees, and income received of £7,660 (2023: £7,426). £920,435 was owed to West Lothian Council (2023: £1,261,540) at the balance sheet date.

16 Cash generated from (absorbed by) operations

	2024	2023
	£	£
Deficit for the year after tax	(1,704)	(708,572)
Adjustments for:		
Finance Costs	-	124,000
Investment Income	(126,296)	(18,428)
Gain on disposal of tangible fixed assets	-	(4,065)
Depreciation and impairment of tangible fixed assets	1,001	84
Pension scheme non-cash movement	78,000	603,000
Movements in working capital:		
Decrease/(increase) in debtors	35,990	1,974,046
(Decrease)/Increase in creditors	(551,647)	1,156,901
Cash generated from (absorbed by) operations	(564,656)	3,126,966

17 Analysis of changes in net funds

	1 April 2023	Cash flows	31 March 2024
	£	£	£
Cash at bank and in hand	8,575,345	(438,360)	8,136,985

Company registration number SC287978 (Scotland)

IMPROVEMENT SERVICE COMPANY

MANAGEMENT REPORT

FOR THE YEAR ENDED 31 MARCH 2024

IMPROVEMENT SERVICE COMPANY

DETAILED TRADING AND INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2024

		2024		2023
	£	£	£	£
Income				
Corporate and running costs		1,595,208		1,594,460
Transformation Performance and Improvement		4,092,124		3,074,226
Digital Public Services		6,457,634		7,225,215
Partnerships		102,006		107,801
		12,246,972		12,001,702
Establishment				
Rent re operating leases	19,940		67,763	
Rates	2,236		31,667	
Managed Services - Premises	10,776		6,852	
Repairs and maintenance	8,863		90,084	
Insurances	10,899		27,662	
		(52,714)		(224,028)

Administrative expenses	2024		2023	
	£	£	£	£
Wages and salaries	4,173,707		3,587,626	
Social security costs	451,281		418,100	
Private Contractors	2,091,586		2,515,297	
Staff recruitment costs	9,759		20,669	
Staff training	25,597		18,661	
Staff pension costs defined benefit	713,048		646,270	
Lothian Pension Fund adjustment	78,000		603,000	
Other staff costs	11,942		3,660	
Directors' remuneration	135,517		125,765	
Directors' pension costs	24,664		22,889	
Computer consumables	12,754		24,718	
IT support	514,770		417,304	
Project support	11,579		-	
Secondees	105,625		151,315	
Agency workers	38,721		197,727	
Subscriptions	10,380		10,370	

DETAILED TRADING AND INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2024

		2024		2023
	£	£	£	£
Administrative expenses (continued)				
Legal and professional fees	42,762		20,668	
Consultancy fees	142,805		140,217	
Accountancy	9,182		9,003	
Audit fees	11,499		7,339	
Managed Service costs IT, HR and Finance	74,465		72,860	
Bank charges	1,818		1,167	
Bad debt written off	272		19,545	
Grants disbursed	3,481,167		3,248,855	
Printing, postage and stationery	35,934		41,295	
Advertising	2,432		1,232	
Telephone	2,812		4,767	
Corporate events	52,719		40,602	
Sundry expenses	4,090		13,733	
Equipment and furniture	370		-	
Depreciation	1,001		84	
Profit or loss on sale of fixed assets	-		(4,065)	
		12,272,258		(12,380,674)
Operating deficit		(78,000)		(603,000)
Interest receivable and similar income				
Bank interest received	76,296		18,428	
		76,296		18,428
Interest payable and similar expenses				
Net interest on defined benefit liability		-		(124,000)
Deficit before taxation		(1,704)		(708,572)

The allocation of some expenditure categories in 2023 have been revised to align with 2024 and provide greater clarity. Total expenditure remains the same.