Company registration number SC287978 (Scotland)

IMPROVEMENT SERVICE COMPANY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

IMPROVEMENT SERVICE COMPANY

COMPANY INFORMATION

Directors	S Gadsden	
	A Scott	
	Councillor N Benny	
	Councillor S Macdonald	(Appointed 17 June 2022)
	Councillor S Morrison	(Appointed 17 June 2022)
	Councillor E Forson	(Appointed 17 June 2022)
	Mrs M Sandison	
	Mr A Kerr	(Appointed 25 November 2022)
	Ms L Long	(Appointed 1 May 2023)
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	

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IMPROVEMENT SERVICE COMPANY

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2023

Introduction
The directors present their strategic report for Improvement Service Company ("the Improvement Service" or "IS") for the year ended 31 March 2023.

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 £708,572 (2022: net loss £1,335,742).

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 combined impact of FRS 102 pension costs of £727,000 and bank interest received of £18,428.

In 2021/22 a pension liability of £4,400,000 was recorded. This 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. This resulted in a surplus of £5,652,000. However, 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'. Therefore, the balance sheet liability from last year has been reduced to nil and no asset has been reported in the accounts.

2022/23 marked another very successful year for the Improvement Service. We continued to deliver our Strategic Framework 2020 – 2022, which is grounded in four strategic priorities:

- We will support Local Government to live with Covid-19
- We will support Local Government to re-build post Covid-19
- We will support Local Government's contribution to the delivery of Scotland's National Performance Framework
- We will support Local Government, working with their communities and partners, to deliver place-based approaches

We also commenced work on developing our refreshed Strategic Framework 2023 – 2027.

Our main achievements from 2022/23 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 £6.46.

- We successfully maintained our ISO 27001 accreditation

Transformation, Performance and Improvement
- We co-produced a think piece with seven chief executives of Scottish local authorities - Delivering a future for Scottish local authorities: the challenges they face, the questions that need asking and a model for the future. The paper proposes six core anchors that could underpin the role of a council of the future: Unlock community action; Lead cross-sector partnerships with a focus on outcomes; Enable a functioning, trusted local and central government relationship; Design for people's needs; Create digital, design and technology enabled transformation; and Tackle inequality and meet the needs of all citizens.

- 2022 saw a new cohort of councillors elected during the Local Government elections in May. Our Elected Members Development programme created a suite of induction materials for new councillors, as well as continuing to provide briefings and webinars on key issues of relevance to all elected members. We published #FollowMe, a new social media guide for elected members. We then adapted this guide for use by community councils, to support them to engage with their own communities through social media.

- Our Scottish Community Councils project worked with a variety of partners, with the aim of providing free national resources and continued support to community councils. Our continued partnership with the Open University Scotland has seen more online modules added to the free training portal for community councils. The Scottish Tech Army continues to work with the community councils project to offer accessible website solutions to community councils and has developed around 25 sites for community councils in Aberdeenshire, Edinburgh and Dumfries and Galloway to date.

- We welcomed three new councils into the Public Service Improvement Framework community (Aberdeenshire, East Lothian and Orkney Islands Councils).

- We worked with a group of national improvement bodies to launch a joint account management approach for Health and Social Care Partnerships. We made an offer of annual meetings with Health and Social Care Partnership chief officers to discuss improvement support needs. The team is comprised of the Care Inspectorate, Public Health Scotland, NHS National Services Scotland, Healthcare Improvement Scotland, Scottish Social Services Council, NHS Education for Scotland and the Improvement Service, and we are also providing a co-ordinating role in the process. We met with over half of the chief officers and their senior teams.

- We developed and delivered a Collaborative Leadership Programme in partnership with Police Scotland and Collective Leadership for Scotland (Scottish Government). Recognising the vital importance of leaders forming and enhancing partnerships to enable effective collaborative working in localities, the programme brought together colleagues in senior manager roles who were working in the same geographical area (Aberdeenshire, West Dunbartonshire and West Lothian), and with shared issues of concern. Groups were made up of participants from local government and Police Scotland as well as other partner organisations. Their shared learning experience provided an opportunity to act collectively on the issues in their local area that were important to them.

- Our Employability Partnership Manager worked with all 32 local authorities to support the development of Local Employability Partnerships. The partnerships have a role in ensuring that locally based employability services are person centred, easy to navigate, integrated and aligned with other services and driven by evidence, data and the experience of others.

- We continued to host the National Coordinator for Local Child Poverty Action Reports, who worked with local authorities and health boards to support the development of Local Child Poverty Action Reports by acting as a child poverty champion, sharing and promoting good practice and working to ensure local reports are an effective lever for tackling child poverty in Scotland. We published a new elected members' briefing on child poverty and the cost of living, and improvement support to enable local areas to take a strategic approach to poverty reduction during what is a particularly difficult time for families.

- Our Protecting People team launched the Embedding Domestic Abuse Informed Systems project with the Safe & Together Institute, to help local authorities and their partners identify actions they can take to improve outcomes for children and families affected by domestic abuse. As part of this project, we have worked in partnership with the Safe & Together Institute to create and co-facilitate the National Safe & Together Implementation Forum, which regularly brings together representatives from local authorities across Scotland to help them to implement the Safe & Together model in a high quality and sustainable way.

- We launched the Authentic Voice: Embedding Lived Experience in Scotland project in partnership with SafeLives and Resilience Learning Partnership. The project aims to help ensure that local authorities and other community planning partners have the knowledge, confidence and tools they need to embed survivor voice into local system and service design processes in a robust, trauma informed and meaningful way.

- We launched our Recovery and Delivery programme, to support the ongoing improvements in early learning and childcare services, and to support the delivery of the national Covid-19 Recovery Strategy.

- We launched a new project to support the implementation of the United Nations Convention on the Rights of the Child (UNCRC) ahead of its incorporation into Scots law. The project will support local authorities to prepare for the incorporation of the UNCRC, helping them to understand the duties that the legislation brings on them to be prepared to meet these. This includes facilitating a new UNCRC Local Government Implementation Network, a series of 'Getting Ready For UNCRC' events and tailored support and resources for local authorities. The project also provides opportunities for experiences at local level to be shared nationally to inform the development of new statutory guidance and national resources.

- Our Shaping Places for Wellbeing Programme is a delivery partnership between the Improvement Service and Public Health Scotland. The overall ambition is to improve Scotland's wellbeing by reducing the significant inequality in the health of its people while addressing the health of our planet. Our objective is to support those making decisions that will impact a place, to consider the consequences of those decisions on all the features of places that impact people's wellbeing. The programme supports system change in how we work across sectors and with communities to deliver the objective. It is now supporting seven towns - Alloa, Ayr, Dunoon, Clydebank, Rutherglen, Fraserburgh and Dalkeith. The programme is working with local authorities, health boards and their partners to deliver on the range of national ambitions including Covid recovery, National Planning Framework 4, 20-minute neighbourhoods, Scotland's Town Centre Action Plan and Scotland's Public Health Priorities.

- We continued to support carbon literacy training for councillors and council officers in Scotland's cities, through a partnership with the Scottish Cities Alliance and the Carbon Literacy Project, supported first by Keep Scotland Beautiful and now by climate change training specialists Three Point Five. Over 70 councillors and council officers have undergone carbon literacy training, with 45 Improvement Service employees having completed the same course.

- We completed work for the Scottish Government on the implementation of the Fairer Scotland Duty, helping public bodies to share practice through regional meetings, to develop and improve guidance and manage the intersections between duties focused on socio-economic concerns, human rights and equality. We received excellent feedback from the organisations we supported, as well as from the Scottish Government.

Data and Intelligence

- We published the tenth annual Local Government Benchmarking Framework National Benchmarking Overview report and provided a weekly Local Government Covid-19 Dashboard, tracking key indicators to allow councils to monitor their response to the pandemic and the impact on communities.

- We delivered a major project to automate the collection and publication of planning and building standards data from Scottish local authorities and national parks.

- We were instrumental in facilitating the development of the new Infralink-Exchange platform, an innovative, cutting edge, end-to-end software solution for the management of mobile network equipment deployment. The platform identifies the location of over 140,000 public sector assets such as land, buildings, streetlights and CCTV, across its pilot area of the Tay Cities region. This was made possible by our Spatial Hub, which is a single point of access to quality-assured Scottish local authority data, in a consistent format. Much of the data required for the Infralink- Exchange project was already hosted on the Spatial Hub and working collaboratively with key public sector and commercial partners, the project was able to help deliver the required step change in mobile network operators' relationship with local authorities and speed up the deployment of mobile network infrastructure to enable economic development within the Tay Cities region.

- The One Scotland Gazetteer (OSG) played a fundamental role in the delivery of the 2022 Scottish Census. As the official address register for Scotland, the Gazetteer was selected by National Records of Scotland to underpin the address and location information used to contact all Scottish households.

- We launched the Scottish Dog Control Notice Database, which brings together Dog Control Notices from across Scotland into a centralised online database that is accessible by councils and Police Scotland. When dealing with a dog-related incident, local authorities and Police Scotland need to understand the background on the offending animal, such as whether there are any existing Dog Control Notices in place, to make informed decisions and apply the correct restrictions. The Scottish Dog Control Database makes these checks quicker and easier, helping to keep our communities safe.

- The Scottish Government announced it would be investing an additional £300,000 in the Welfare Advice and Health Partnerships programme which is managed and evaluated by the Improvement Service. This will extend the provision of money and welfare advice within healthcare settings to 30 rural and islands communities. GP practices in an additional 20 rural and 10 island communities are now able to refer patients directly to an in-house welfare rights officer for advice on increasing income, social security eligibility, debt resolution, housing and employability issues. They will build on the work already being undertaken at nearly 150 GP practices in the most deprived areas of the country as part of the Welfare Advice and Health Partnerships programme.

- We reached agreement with Scottish Government to facilitate the release of over 40 location-based datasets as open data. This includes themes such as education, health, energy, planning, and the environment. Data that was previously restricted to public sector access, shall be made available for use throughout the wider economy.

Digital Public Services

- We played an integral role in the delivery of Scottish Government's Young Person's Free Bus Travel Scheme. The scheme is open to young people aged under 22 living in Scotland who have a National Entitlement Card (NEC) or Young Scot NEC. The expansion of the NEC scheme means that over 2.3 million people – everyone under 22, everyone over 60, and disabled people and carers – can now benefit from free bus travel in Scotland. Over 638,000 applications for all types of National Entitlement Cards have been made through getyournec.scot, alleviating substantial pressures on local authority offices. In the first 12 months, young people made almost 45 million free bus journeys across Scotland.

- parentsportal.scot played a key role in the delivery of the Young Persons' Free Bus Travel Scheme. Parents of younger children who had signed up to parentsportal.scot through their school were able to apply for free travel in just a few clicks, as their identity had already been verified by data from SEEMiS. 15 local authorities are live with parentsportal. scot and a further three are currently onboarding.

- Myaccount, an online account launched in 2014 which allows people to access a range of public services, reached the significant milestone of 2 million accounts. 44% of the eligible Scottish population (12 years +) now have a myaccount and all 32 councils are using myaccount for at least one online service, with the majority using it more widely to access various online services. Myaccount is also used by Social Security Scotland, Young Scot, My Diabetes My Way and most recently, NHS Lothian to access hospital bookings.

- bisaccount.scot was again used by Scottish Government to facilitate applications for financial support to the childcare sector, with bisaccount being used by all 32 local authorities to administer the Omicron Support Fund. Following the success of bisaccount supporting businesses, North Lanarkshire Council has integrated with bisaccount to provide business authentication for business related digital services; with other councils in the process of onboarding.

Financial control and reporting

In order to improve financial control and reporting, the Improvement Service transitioned away from being part of the West Lothian Council system to a new finance system in February 2023. Preparation for this move and configuration of the new system has been a large piece of work for the Finance and Governance team in this financial year, involving mapping of a full years' transactions and opening balances to an improved coding system.
Unlike the previous finance system, the new system (SAGE Intacct), is fully administered and configured by the Improvement Service's Finance and Governance team.

Business Streams and Investment
Our financial statements set out income and spending for the year.

Key Financials
The Improvement Service core funded grant of £1.656M continued in 2022/23, secured as part of the Local Government Finance Settlement. We agreed funding of £4.1M with Scottish Government to manage and deliver our Digital Public Services, underpinned by a Memorandum of Understanding, which includes sufficient contractual and staff liability protection.

We brought forward a balance of £7.219M deferred income from the last financial year and this year carry forward a balance of £5.752M, with full approval from all funding organisations. The decrease in deferred income is due to a total of £1.467M being transferred from the balance sheet to income, to cover costs incurred in this year. These funds were received last year to cover more than one year's expenditure. We continued to develop our funding base and achieved additional resources of £0.8M above budget.

Total grant income secured to 31st March 2023 was £10,535,035. An analysis of the income is shown in the table below:

	£
Core Management	1,656,000
DPS	4,100,000
Commercial	589,651
Scottish Government Other funding	3,133,626
Local Authority Funding	298,697
Other Income	757,061
Total	10,535,035

Next Year Financials
We will receive £1.656M Revenue Support Grant to fund our core programmes for 2023/24 similar to last year. £4.100M has been secured for the Digital Public Services programme for 2023/24, which is underpinned by an MOU.

Key Performance Indicators
IS key performance indicators for 2022/23 are noted below:

Key Performance Indicators	**Target**	**Actual**
Programme Performance	96%	98.8%
Staff satisfaction	75%	85%
Customer satisfaction	75%	90%
Sickness absence	1.50%	0.875%

IMPROVEMENT SERVICE COMPANY

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

The Forward Context
We are operating in an increasingly challenging financial context within Scottish Local Government. Our core grant, funded through the Local Government grant settlement, has been cash-flat since 2011/12 and it is becoming increasingly more challenging financially due to inflationary costs and rising pay awards. During 2023/24, the Improvement Service Board will develop a long-term sustainability strategy for the company.

During 2023/24, we will refresh our strategic priorities and develop a new four-year Strategic Framework, that will underpin our annual business plans from 2023/24 to 2027/28. We will also review 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.

We will work with Scottish Government to develop a refreshed Memorandum of Understanding for our Digital Public services funding for 2024/25 to 2025/26, to enable us to procure new contracts with technology partners by August 2023. We will also continue to consider new business development and growth/income generation opportunities aligned to our strategic priorities.

This report was approved by the Board on 1 December 2023 and signed on its behalf by

Councillor Shona Morrison
Director

IMPROVEMENT SERVICE COMPANY

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present their annual report and financial statements for the year ended 31 March 2023.

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

S Gadsden	
S Grimmond	(Resigned 30 November 2022)
A Scott	
Councillor A Evison	(Resigned 17 June 2022)
Councillor M Bell	(Resigned 5 May 2022)
Councillor N Benny	
Councillor G Houston	(Resigned 17 June 2022)
L McMillan	(Resigned 12 June 2023)
Councillor S Macdonald	(Appointed 17 June 2022)
Councillor S Morrison	(Appointed 17 June 2022)
Councillor E Forson	(Appointed 17 June 2022)
Mrs M Sandison	
Mr A Kerr	(Appointed 25 November 2022)
Ms L Long	(Appointed 1 May 2023)

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.

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

1 December 2023

IMPROVEMENT SERVICE COMPANY

REPORT OF THE AUDIT COMMITTEE

FOR THE YEAR ENDED 31 MARCH 2023

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 2022/23, the serving Audit Committee were:

- David Robertson (Chair), Chief Financial Officer, 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 COSLA and IS Board from October 2022.
- Councillor Graham Houston, Stirling Council – representing COSLA and IS Board (May 2022 meeting only).

During 2022/23, the Audit Committee met on five occasions:

- 25th May 2022
- 7th September 2022
- 23rd September 2022
- 11th November 2022
- 17th February 2023

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 Profit and Loss, Balance Sheet and Cashflow Statement.
- A 12-month rolling Cashflow Forecast.
- Quarterly budget reforecast.
- A report on HR activity monitoring establishment numbers to ensure these are aligned with available funding.
- A progress report on 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
- Approved the updated Procurement Policy and Procedures
- Approved a new VAT policy and procedure
- Approved a new Fixed Asset policy
- Completed the Annual Audit Committee Report for inclusion in Annual Accounts/Report.
- Considered and recommended Board approval of the 2021/22 Annual Accounts and External
- Auditor's Report thereon.
- Reviewed and advised changes to the revised Treasury Policy
- Approved the revised Financial Regulations and Scheme of Delegation
- Reviewed the Audit Committee Terms of Reference
- Considered and recommended Board approval of the 2023/24 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 2021/22 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

INDEPENDENT AUDITOR'S 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 2023 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 2023 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.

IMPROVEMENT SERVICE COMPANY

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF IMPROVEMENT SERVICE COMPANY

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

11 December 2023
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IMPROVEMENT SERVICE COMPANY

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £	2022 £
Income		12,001,702	12,960,314
Distribution costs		(224,028)	(145,917)
Administrative expenses		(12,380,674)	(14,012,397)
Operating deficit	4	(603,000)	(1,198,000)
Interest receivable and similar income	7	18,428	21,258
Interest payable and similar expenses	8	(124,000)	(159,000)
Deficit before taxation		(708,572)	(1,335,742)
Tax on deficit		-	-
Deficit for the financial year		(708,572)	(1,335,742)
Other comprehensive income			
Actuarial gain on defined benefit pension schemes		5,127,000	4,135,000
Total comprehensive income for the year		4,418,428	2,799,258

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 2023

	Notes	2023		2022	
		£	£	£	£
Fixed assets					
Tangible assets	**9**		2,914		23,605
Current assets					
Debtors	**10**	1,743,856		3,717,902	
Investments		7,570,042		2,707,987	
Cash at bank and in hand		1,005,303		2,697,292	
		10,319,201		9,123,181	
Creditors: amounts falling due within one year	**11**	(9,587,809)		(8,430,908)	
Net current assets			731,392		692,273
Total assets less current liabilities			734,306		715,878
Provisions for liabilities					
Defined benefit pension liability	**12**	-		4,400,000	
			-		(4,400,000)
Net assets/(liabilities)			734,306		(3,684,122)
Reserves					
Income and expenditure account	**14**		734,306		(3,684,122)
Members' funds			734,306		(3,684,122)

The financial statements were approved by the board of directors and authorised for issue on 1 December 2023 and are signed on its behalf by:

A Scott
Director

Company Registration No. SC287978

IMPROVEMENT SERVICE COMPANY

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2023

	Pension reserves £	Other reserves £	Total £
Balance at 1 April 2021	(7,178,000)	694,620	(6,483,380)
Year ended 31 March 2022:			
Loss for the year	(1,357,000)	21,258	(1,335,742)
Other comprehensive income:			
Actuarial gains on defined benefit plans	4,135,000	-	4,135,000
Total comprehensive income for the year	2,778,000	21,258	2,799,258
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

IMPROVEMENT SERVICE COMPANY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £	2023 £	2022 £	2022 £
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	**16**		3,126,966		(673,912)
Investing activities					
Purchase of tangible fixed assets		(2,998)		(12,276)	
Proceeds from disposal of tangible fixed assets		27,670		-	
Proceeds from disposal of investments		-		1,500,000	
Interest received		18,428		21,258	
Net cash generated from investing activities			43,100		1,508,982
Net increase in cash and cash equivalents			3,170,066		835,070
Cash and cash equivalents at beginning of year			5,405,279		4,570,209
Cash and cash equivalents at end of year			8,575,345		5,405,279

1 Accounting policies

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. i. 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 2023.

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 Accounting policies **(Continued)**

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.

- 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 Accounting policies **(Continued)**

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.

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.

1 Accounting policies **(Continued)**

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.

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 Accounting policies **(Continued)**

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.

2 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:

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:

	2023	2022
	£	£
Corporate and running costs	1,594,460	1,790,709
Data and Intelligence	2,249,820	1,807,029
Transformation Performance and Improvement	1,666,416	1,287,504
Digital Public Services	6,383,205	4,354,390
Partnerships (inc LGDO)	107,801	3,720,682
	12,001,702	12,960,314

Included within turnover for the year ended 31 March 2022 was an amount of £2.475m which relates to the release of deferred income for the Local Government Digital Office programme. This service was transferred to COSLA on 31 March 2022 and an amount of £2.475m was paid to COSLA and is included in administration expenses for the year ended 31 March 2022.

The allocation of income categories for the year ended 31 March 2022 have been restated to align with the current organisational structure. Total income for that financial year remains unchanged.

4 Operating Loss

	2023	2022
Operating deficit for the year is stated after charging/(crediting):	£	£
Fees payable to the company's auditor for the audit of the company's financial statements	7,339	7,339
Depreciation of owned tangible fixed assets	16,342	16,341
Profit on disposal of tangible fixed assets	(4,065)	-
Operating lease charges	67,763	68,209

5 Employees

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

	2023	2022
	Number	Number
Core	8	8
Transformation Performance and Improvement	36	30
Local Government Digital Office	-	11
Digital Public Services	21	14
Data and Intellegence	22	20
Other	-	1
Total	87	84

5 Employees (Continued)

Their aggregate remuneration comprised:

	2023 £	2022 £
Wages and salaries	3,717,051	3,830,455
Social security costs	418,100	421,743
Pension costs	1,272,159	1,864,318
	5,407,310	6,116,516

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

- Chief Executive
- Director of Shared Services and Customer First
- Head of Business Development
- Head of Corporate & Business Services
- Head of Transformation, Performance and Improvement
- Head of Change and Partnership Delivery (Interim)

Total remuneration paid to the key management personnel was £448,119 (2022: £503,879)

6 Directors' remuneration

	2023 £	2022 £
Remuneration for qualifying services	125,765	118,039
Company pension contributions to defined contribution schemes	22,889	21,483
	148,654	139,522

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

7 Interest receivable and similar income

	2023 £	2022 £
Interest income		
Interest on bank deposits	18,428	21,258

Investment income includes the following:

Interest on financial assets not measured at fair value through surplus or deficit	18,428	21,258

8 Interest payable and similar expenses

	2023	2022
	£	£
Other finance costs:		
Net interest on the net defined benefit liability	124,000	159,000

9 Tangible fixed assets

	Fixtures and fittings
	£
Cost	
At 1 April 2022	181,448
Additions	2,998
Disposals	(181,448)
At 31 March 2023	2,998
Depreciation and impairment	
At 1 April 2022	157,843
Depreciation charged in the year	84
Eliminated in respect of disposals	(157,843)
At 31 March 2023	84
Carrying amount	
At 31 March 2023	2,914
At 31 March 2022	23,605

10 Debtors

	2023	2022
Amounts falling due within one year:	£	£
Other debtors	1,743,856	3,717,902

11 Creditors: amounts falling due within one year

	2023	2022
	£	£
Taxation and social security	114,475	76,520
Other creditors	2,798,293	1,114,330
Accruals and deferred income	6,675,041	7,240,058
	9,587,809	8,430,908

12 Retirement benefit schemes

Defined contribution schemes	**2023 £**	**2022 £**
Charge to profit or loss in respect of defined contribution schemes	22,889	21,483

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.

Key assumptions	**2023 %**	**2022 %**
Discount rate	4.75	2.75
Expected rate of increase of pensions in payment	2.95	3.15
Expected rate of salary increases	3.45	3.65

Mortality assumptions	**2023**	**2022**
Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI2016 model with an allowance for smoothing of recent mortality experience and long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:	**Years**	**Years**
Current pensioners		
- Males	19.9	20.3
- Females	22.9	23.1
Future pensioners		
- Males	21.2	21.6
- Females	24.7	25.0

Amounts recognised in the profit and loss account	**2023 £**	**2022 £**
Current service cost	1,636,000	1,863,000
Net interest on net defined benefit liability/(asset)	124,000	159,000
Total costs	1,760,000	2,022,000

12 Retirement benefit schemes (Continued)

Amounts taken to other comprehensive income	2023 £	2022 £
Actual return on scheme assets	(11,353,000)	(4,518,000)
Less: calculated interest element	574,000	383,000
Return on scheme assets excluding interest income	(10,779,000)	(4,135,000)

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

	2023 £	2022 £
Present value of defined benefit obligations	16,155,000	27,950,000
Fair value of plan assets	(16,155,000)	(23,550,000)
Deficit in scheme	-	4,400,000

Movements in the present value of defined benefit obligations	2023 £
Liabilities at 1 April 2022	25,533,000
Current service cost	1,636,000
Plan introductions, changes, curtailments and settlements	(919,000)
Benefits paid	(303,000)
Contributions from scheme members	253,000
Interest cost	698,000
Remeasurements	(10,743,000)
At 31 March 2023	16,155,000

The defined benefit obligations arise from plans funded as follows:	2023 £
Wholly unfunded obligations	-
Wholly or partly funded obligations	16,155,000
	16,155,000

12 Retirement benefit schemes **(Continued)**

Movements in the fair value of plan assets	**2023** **£**
Fair value of assets at 1 April 2022	21,133,000
Interest income	574,000
Return on plan assets (excluding amounts included in net interest)	36,000
Plan introductions, changes, curtailments and settlements	(555,000)
Benefits paid	(303,000)
Contributions by the employer	669,000
Contributions by scheme members	253,000
Other	(5,652,000)
At 31 March 2023	16,155,000

The actual return on plan assets was £11,353,000 (2022 - £4,518,000).

Fair value of plan assets at the reporting period end	**2023** **£**	**2022** **£**
Equities	15,919,110	16,720,500
Bonds	3,052,980	3,061,500
Property	1,526,490	1,413,000
Cash	1,308,420	2,355,000
Surplus not recognised	(5,652,000)	-
	16,155,000	23,550,000

The estimated employer contributions for the year to 31 March 2024 are £669,000.

In accordance with FRS 102, the overall plan surplus of £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 includes all current and prior period retained profits and losses.

A designated reserve of £200,000 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.

Other reserves also include £534,306 as a change fund.

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
Sarah Gadsden	Improvement Service Company	Chief Executive	SOLACE
Aubrey Fawcett	Inverclyde Council	Chief Executive	SOLACE
Steven Grimmond	Fife Council	Chief Executive	SOLACE
Angela Scott	Aberdeen City Council	Chief Executive	SOLACE
Lorraine McMillan	East Renfrewshire Council	Chief Executive	SOLACE
Andrew Kerr	City of Edinburgh Council	Chief Executive	SOLACE
Maggie Sandison	Shetland Islands Council	Chief Executive	SOLACE
Louise Long	Inverclyde Council	Cheif Executive	SOLACE
Cllr Alison Evison	Aberdeenshire Council / The Convention of Scottish Local Authorities	Councillor/ President	COSLA
Cllr Malcolm Bell	Shetland Islands Council	Councillor	COSLA
Cllr Neil Benny	Stirling Council	Councillor	COSLA
Cllr Graham Houston	Stirling Council	Councillor	COSLA
Cllr Shona Morrison	Moray Council / The Convention of Scottish Local Authorities	Councillor/ President	COSLA
Cllr Ellen Forson	Clackmannanshire Council	Councillor	COSLA
Cllr Sandra Macdonald	Aberdeen 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 £ 2022/23**	**2021/22**	**Receivable from £ 2022/23**	**2021/22**
Aberdeen City Council	-	-	8,516.00	30,405.00
Aberdeenshire Council	6,500.00	-	8,878.71	39,023.00
City of Edinburgh Council	129,798.34	-	7,546.00	
Clackmannanshire Council	-	-	6,421.00	
East Renfrewshire Council	5,967.78	-	6,851.00	
Fife Council	1,458.00	-	8,811.00	38,353.00
Inverclyde Council	3.00	-	5,476.00	48,233.00
Moray Council	-	-	6,306.00	-
Shetland Islands Council	-	-	5,906.00	13,000.00
Stirling Council	-	-	7,889.10	20,410.00
East Renfrewshire Council	-	-	-	20,870.00

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

- Funding was received from the Scottish Government totalling £8,889,626 (2022: £9,681,500). Payments totalling £190,000 (2022: £Nil) were made to the Scottish Government. Included within this funding is £1,656,000 (2022: £1,656,000) which relates to core income receivable.

- £13,308 (2022: £2,496,960) of grant funding, and £7,150 (2022: £8,000) of expenses payable to the Convention of Scottish Local Authorities (COSLA). £Nil (2022: £Nil) is included in creditors at the balance sheet date. The grant funding paid to COSLA during the year ended 31 March 2022 relates to the transfer of the Local Government Digital Office (LGDO) service previously provided by Improvement Service Company to COSLA. Under this transfer all relevant staff moved to COSLA under TUPE arrangements.

- £173,575 (2022: £96,028) was payable to West Lothian Council in relation to rent and rates along with transaction processing and other fees, and income received of £7,426 (2022: £29,120). £1,261,540 was owed to West Lothian Council (2022: £309,052) at the balance sheet date.

16 Cash generated from/(absorbed by) operations

	2023	2022
	£	£
Deficit for the year after tax	(708,572)	(1,335,742)
Adjustments for:		
Finance costs	124,000	159,000
Investment income	(18,428)	(21,258)
Gain on disposal of tangible fixed assets	(4,065)	-
Depreciation and impairment of tangible fixed assets	84	16,341
Pension scheme non-cash movement	603,000	1,198,000
Movements in working capital:		
Decrease/(increase) in debtors	1,974,046	(2,617,493)
Increase in creditors	1,156,901	1,927,240
Cash generated from/(absorbed by) operations	3,126,966	(673,912)

17 Analysis of changes in net funds

	1 April 2022	Cash flows	31 March 2023
	£	£	£
Cash at bank and in hand	5,405,279	3,170,066	8,575,345

IMPROVEMENT SERVICE COMPANY

MANAGEMENT INFORMATION

FOR THE YEAR ENDED 31 MARCH 2023

IMPROVEMENT SERVICE COMPANY

DETAILED TRADING AND INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2023

		2023		2022
	£	£	£	£
Income				
Corporate and running costs		1,594,460		1,790,709
Data Intelligence		2,249,820		1,807,029
Transformation Performance and Improvement		1,666,416		1,287,504
Digital Public Services		6,383,205		4,354,390
Partnerships (incl LGDO)		107,801		3,720,682
		12,001,702		12,960,314
Establishment				
Rent re operating leases	67,763		68,209	
Rates	31,667		30,636	
Cleaning	5,529		2,670	
Light and heat	1,323		9,836	
Repairs and maintenance	90,084		9,278	
Insurances	27,662		25,288	
		(224,028)		(145,917)

IMPROVEMENT SERVICE COMPANY

DETAILED TRADING AND INCOME AND EXPENDITURE ACCOUNT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

		2023		2022
	£	£	£	£
Administrative expenses				
Wages and salaries	3,587,626		3,698,965	
Social security costs	418,100		421,743	
Private contractors	2,515,297		2,601,518	
Staff recruitment costs	20,669		18,260	
Staff training	18,661		15,821	
Staff pension costs defined benefit (allocation)	646,270		644,835	
Lothain Pension Fund adjustment	603,000		1,198,000	
Other staff costs	3,660		13,451	
Directors' remuneration	125,765		118,039	
Directors' pension costs	22,889		21,483	
Computer consumables	442,022		118,504	
Secondees	349,042		330,895	
Subscriptions	10,370		61,098	
Legal and professional fees	20,668		12,686	
Consultancy fees	140,975		67,331	
Accountancy	9,003		-	
Audit fees	7,339		7,339	
Bank charges	1,167		3,720	
Irrecoverable VAT	-		329,846	
Bad debt written off	19,545		(1,366)	
Amounts paid to other Public Sector organisations	2,271,986		1,766,994	
Local Government Digital Office transfer to COSLA	-		2,475,000	
Grants disbursed	1,048,971		-	
Printing, postage and stationery	41,295		35,489	
Advertising	1,232		57	
Telephone	4,767		11,632	
Corporate events	40,603		18,184	
Sundry expenses	13,733		6,532	
Depreciation	84		16,341	
Profit or loss on sale of tangible assets	(4,065)		-	
		(12,380,674)		(14,012,397)
Operating deficit		(603,000)		(1,198,000)
Interest receivable and similar income				
Bank interest received	18,428		21,258	
		18,428		21,258
Interest payable and similar expenses				
Net interest on defined benefit liability		(124,000)		(159,000)
Deficit before taxation	5.90%	(708,572)	10.31%	(1,335,742)