

Company registration number SC287978 (Scotland)

IMPROVEMENT SERVICE COMPANY
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

IMPROVEMENT SERVICE COMPANY

COMPANY INFORMATION

Directors	S Gadsden A Scott Councillor N Benny L McMillan Councillor S Macdonald Councillor S Morrison Councillor E Forson Mrs M Sandison	(Appointed 17 June 2022) (Appointed 17 June 2022) (Appointed 17 June 2022) (Appointed 1 September 2021)
Company number	SC287978	
Registered office	iHub Quarrywood Court Livingston Village Livingston West Lothian EH54 6AZ	
Auditor	Thomson Cooper 3 Castle Court Carnegie Campus Dunfermline Fife KY11 8PB	
Bankers	Bank of Scotland (Livingston) 54 Almondvale South Livingston EH54 6NB	
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IMPROVEMENT SERVICE COMPANY

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2022

Introduction

The directors present their strategic report for Improvement Service Company (“the Improvement Service” or “IS”) for the year ended 31 March 2022.

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 £1,335,742 (2021: net loss £441,383).

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 £1,357,000 and bank interest received of £21,258.

The overall pension liability has decreased from £7.178M in 2020/21 to a net pension liability of £4.400M in 2021/22. The balance on the pension fund will change annually according to the economic conditions.

2021/22 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

Our main achievements against these priorities for the year are set out below.

- We have continued to grow our **funding base** in support of Local Government priorities and exceeded our 2021/22 target of £2.5M for bringing in additional resources to the sector.
- We successfully completed a **TUPE transfer of the Digital Office for Scottish Local Government** to COSLA on 31st March 2022.
- We developed a **Partnership Agreement** with Public Health Scotland and entered into a **Strategic Alliance** with the Accounts Commission.
- We continued to provide a range of support to councils, SOLACE and COSLA in their work to **improve outcomes for children, young people and their families**:
 - With the statutory implementation for the expansion of **Early Learning and Childcare** to 1140 hours being set for August 2021, we continued to provide targeted business analysis, workforce planning and knowledge management support to councils through to the delivery of their programmes. We pro-actively identified support needs and risks and put in place creative solutions to unlock delivery for August 2021, ensuring that the expansion prioritises a high-quality experience for the child. Through data collection and data analysis, we gained and shared a clear understanding of the status and trajectory of the programme at a national and local level, while identifying opportunities and highlighting any areas of risk. This was fed back to Scottish Government and COSLA through regular delivery progress reports, providing assurance on the delivery of the programme. Throughout the COVID-19 pandemic, we also acted as the direct point of contact for councils to clarify Scottish Government guidance and policy on public health measures in the early learning and childcare sector.

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STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

- We continued to host the **Child Poverty National Co-ordinator** post, allowing us to provide a range of practical improvement support to local leads and partnerships across Scotland. This work included aligning with national partners to deliver practical support such as virtual peer support networks, presentations and workshops for local areas, one-to-one engagement with local Child Poverty Leads, feedback on and support with draft Local Child Poverty Action Reports, briefing notes (particularly on the impact of Covid-19 on child poverty and ways additional funding might be targeted), webinars and tailored input to local areas. We took up the role of chair for the Local Child Poverty National Partners Co-ordination Group and supported a self-evaluation process seeking to develop the group and enhance its impact. We delivered a virtual national Child Poverty Conference. We developed a self-assessment framework for Child Poverty and supported two local areas to carry out the assessment process.
- We continued to work in partnership with SOLACE, COSLA and SLAED to **improve fair work and sustainable inclusive growth outcomes**:
 - Working with SLAED and COSLA in taking forward the **Scottish Government/Local Government Partnership Agreement for Employability**, we helped secure an additional £80.65 million for local governance. We contributed to the development of an Employability Service Standards Framework, Customer Charter, Delivery Plan Template and a local data toolkit. We supported the confirmation of the implementation of the next phase of transformation and contributed to the development of a job creation programme in the public and third sector for long term unemployed people.
 - We supported the development of a Partnership Agreement between the Department for Work and Pensions and Local Government and the direct engagement from Local Government with policy and operational leads in the delivery of the UK Government's Plan for Jobs.
 - We supported SLAED in discussions with COSLA, SOLACE and Scottish Government on responses to the COVID-19 pandemic, with a particular focus on Business Support and the dispersal of grants. The Secretariat drew together responses from all councils to feed into consultations and calls for views.
- We delivered a range of improvement work to address **poverty and inequality**:
 - We have continued to receive funding from Scottish Government to evaluate potential funding models and delivery approaches which could be used to allocate the **levy funding devolved to the Scottish Government for debt advice**. We are exploring how this could be used to support change and innovation and the feasibility of developing a partnership approach between local and national governments to maximise the impact of investment.
 - We have produced a **social value analysis** on the impact of providing access to employability and money/welfare rights advice in schools alongside access to family support.
 - Working with local authorities and Public Health Scotland we have set up a two year programme funded by Scottish Government that will enable individuals in the most deprived communities in Scotland to access **welfare rights advice** in their GP surgery.
 - We continued to host the National Co-ordinator to support the implementation of the **Fairer Scotland Duty (FSD)** across Scotland. The FSD Knowledge Hub Group is being used as a central repository for information and toolkits. We continued to host and support the FSD Leads Network to facilitate peer support and the sharing of good practice and useful information. We supported the involvement of the network in the refresh of the FSD Guidance which was published in October 2021. We delivered Fairer Scotland Duty Refresher training throughout the latter half of 2021, reaching over 300 people from across the organisations subject to the duty. As a result, the network has expanded and more people are signed up to the FSD Knowledge Hub. We delivered additional training to a wide number of organisations to improve knowledge and understanding of the duty.
 - We supported Councils to engage with care experienced young people through the **Volunteering Matters** programme, to support lived experience voices on the design and delivery of services.

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FOR THE YEAR ENDED 31 MARCH 2022

- We continued to provide a range of support to local authorities and partners to help deliver outcomes in relation to **communities that are inclusive, empowered, resilient and safe**.
 - We supported local authorities to develop action plans outlining how they would monitor and respond to heightened risks that women and children experiencing **domestic abuse** and other forms of **gender-based violence** faced during the Covid-19 pandemic.
 - We coordinated a research project on the **mental health needs of women and children** who have experienced domestic abuse and other forms of gender-based violence, and opportunities for systems and services to better respond to these needs.
 - We also secured funding from the Scottish Government to support local authorities and their partner organisations to embed the **lived experience** of women affected by violence, abuse and psychological trauma in system and service design processes.
- We continued to support **place-based working** that supports co- benefits between national ambitions to create places that enable wellbeing of people and planet.
 - We have continued to support the collaborative work of the **Spatial Planning, Health and Wellbeing Collaborative**. We worked with Public Health Scotland, Directors of Public Health, COSLA, Heads of Planning Scotland, Health Improvement Managers Network and Edinburgh University to shape a consistent and comprehensive set of Place and Wellbeing Outcomes.
 - We piloted the application of the **Place and Wellbeing Outcomes** using them in 3 Rapid Scoping Assessments to assess the delivery of 20 minute neighbourhood ambitions in three scales of plan – a development framework, a Local Development Plan and an Indicative Regional Spatial Strategy. We published the recommendations from each assessment to facilitate the sharing of learning across councils and national bodies.
 - We worked with Public Health Scotland to publish a **Public Health and Spatial Planning Briefing Paper** to support closer links between the Place Principle and the social determinants of health. This paper and a linked animation now supports cross sector collaboration as the planning system reforms, including consultation on the National Planning Framework.
 - We established the **Shaping Places for Wellbeing Programme**, to improve Scotland's wellbeing and reduce inequalities. This programme is funded by the Health Foundation and Scottish Government, and it will run until March 2024. We are delivering it jointly with Public Health Scotland, to create the conditions for better Place and Wellbeing Outcomes by enabling system-wide partnership action on the social determinants of health. The Health Foundation also funded a programme design process supported by NESTA, which has resulted in the programme focusing on three key activities to secure system change that enables the delivery of the Place and Wellbeing Outcomes. Firstly, 4 project towns were identified and their Council and NHS Board will receive active support, including 1.5 members of staff. Secondly, the programme will facilitate a learning cohort of a further 4 mentor towns and 4 learning partners. Finally, a National Leadership Cohort was created with membership from Scottish Government Directorates and COSLA Boards to address national barriers to local action.
- We established and developed our **Climate Change Transformation** approach and are working to embed climate change across all our programmes and operations.
 - The IS Board undertook a Deep Dive on climate change to establish our strategic direction and build a shared understanding and language around climate change. This has been complemented by staff engagement and training through the **Carbon Literacy Project**, with over half of our employees now trained in awareness on carbon reduction and committed to take action to be more sustainable.
 - We delivered an all staff workshop to shape the creation of a statement on **"Our Approach to Net Zero"** to give direction and focus to our activity. This is a significant step and we will now focus on developing the underpinning actions and targets on this journey.

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FOR THE YEAR ENDED 31 MARCH 2022

- To build connections within local authorities and raise awareness of this crucial agenda, we have delivered sessions in collaboration with SLAED, the IS Organisational Development network and the IS Change Managers Network. We have supported regular Local Authority Forums with the Sustainable Scotland Network (SSN) bringing together sustainability officers from across Scotland to discuss key challenges and opportunities such as place based approaches. We have helped shape the **Climate Ready Clyde** initiative through input to the Adaptation Strategy for the Glasgow City Region and ongoing support to build the capabilities of local authorities and communities.
- Elected Members have a crucial role to play in driving this agenda. We co-authored a joint briefing on Nature based solutions with COSLA, NatureScot and the Sustainable Scotland Network alongside an event on delivering Net Zero. A new **partnership with the Scottish Cities Alliance** has also enabled the delivery of Carbon Literacy training to Elected Members across the cities.
- We have worked with COSLA and SSN to collect case studies and organise events and engagement in the run up to, during and post **COP26** to showcase good practice and support local authorities to be part of the international agenda.
- We supported the **Community Planning Improvement Board** to deliver a workshop on climate change and are taking forward actions on how CPPs can share learning to work collaboratively and demonstrate leadership.
- Data is a key priority in tackling climate change and the IS has a critical role to play. We organised a successful workshop as part of the Local Government Benchmarking Framework review and a session for the Digital Pathfinder project to explore the complexities of **data in the climate change agenda**.
- We joined forces with Tata Consultancy Services (TCS) to support its **Sustainathon** challenge, asking university students across the UK to consider how the scope and capability of the National Entitlement Card could be expanded to promote sustainable behaviour.
- Our partnership working with Scotland Excel has continued to grow and develop to support councils to build their skills and capacity in **project management** and **business analysis**. The award winning Professional Development Award in Project Management, which is a level SCQF 8, upskills candidates on the practical application of key project management skills in a Local Government context. Since its launch in August 2018, we have 180 candidates either completed, or progressing, the qualification from across 21 different councils. Late 2019 we launched our first cohort of the first part of our Business Analysis programme, which is a Business Analysis Unit and Professional Development Award in Decision Making and Innovation which are levels SCQF 8 and 9 respectively. There are now 23 candidates who have either completed or progressing through the qualification from across 13 different councils.
- Our offer of support on **change management** is continually adapted to reflect local authorities' needs. Our Change Managers' Network group on the Knowledge Hub has attracted over 640 members since its establishment, representing more than 100 organisations, including all 32 Scottish local authorities. Since the start of the pandemic our Network events have moved online and continue to focus on topics that councils have raised with us. We have held 6 events over the last year with colleagues from 25 local authorities in attendance, and a number of colleagues from our partner agencies. We continued to enhance change management capacity in councils, with workshops on change and project management held with North Lanarkshire and Stirling Councils.
- We developed and launched our **Change Manager's video toolkit** series. These videos provide tools and approaches to support change and transformation and enable councils to use as and when needed, and request further support from the Team when relevant.

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STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

- We continued to successfully deliver the **Local Government Benchmarking Framework (LGBF)** to help councils better understand their current performance levels, to build understanding of where and why council performance varies and to help identify and share good practice across councils. We are reviewing with stakeholders how we reset the LGBF in light of Covid-19 to support councils in their response, recovery and renewal efforts. The new strategic plan for the next 3-year period will strengthen the relevance and credibility of LGBF across this coming period, including continuing to strengthen links with the National Performance Framework. The priority will be to protect the continuity provided by the LGBF across the 10 year period pre-Covid, which will be essential to understanding the impact of Covid on core Local Government services, whilst also working to evolve the existing suite of measures to reflect the challenges, risks and opportunities facing Local Government as it responds to the Covid pandemic and aims to build back better. To reflect this, the framework has recently included measures to strengthen its focus on poverty and inequality, financial sustainability (reserves, borrowing, budget performance), and climate change.
- We have continued to deliver the **Local Government Covid-19 Dashboard**, supplying councils with relevant and timely data to help them track recovery and inform decisions. This dashboard provides an invaluable picture of current system pressures facing local government, providing timely data in relation to Covid related support; staff absence levels; delayed discharges; adult and child protection referrals; homelessness and arrears; and pupil attendance and absence, along with other elements. The dashboard has been instrumental in co-ordinating current data returns, improving data quality and providing richer insight in relation to patterns of deprivation and rurality. We have worked with colleagues to evolve the suite of measures, removing those which are no longer meaningful, and identifying others which will add value. The development of the dashboard has supported efforts to automate and streamline data reporting and will provide a key building block in the development of the Local Government Data Platform. An important step in progressing this has involved the Improvement Service taking over responsibility for the collection of adult and child protection referrals.
- We worked with councils to develop core **national induction notebooks**, along with complementary learning resources, for newly elected members. We supported councils with the development of their local induction and ongoing development programmes by hosting national events for lead officers to share thinking and good practice, as well as providing critical friend feedback on draft programmes.
- Our **Organisational Development (OD) Network** membership continued to grow during 2021 and now has more than 100 members. We hosted eight virtual sessions in 2021, with colleagues from 28 councils participating. These events give colleagues the opportunity to network and to share information and resources around OD challenges and practices including employee engagement, wellbeing and leadership development. We introduced Headspace Sessions for the network, running 10 sessions to provide support for members around OD and wellbeing issues. We also ran webinars for the group on a range of topics including Coaching Approaches and Flexible Working. We refreshed and updated our **workforce planning** guidance and resources on the IS website.
- In partnership with Police Scotland and the Scottish Government Collective Leadership Team, we designed and delivered a **Collaborative Leadership Programme**, running pilots in three sites – Aberdeenshire, West Dunbartonshire and West Lothian which are due to be completed in early 2022.
- We continued to manage, develop and train users on **the Knowledge Hub (Khub)**, a powerful digital platform for public servants to collaborate, communicate and connect. The Scottish Public Services Network (SPSN) enables its 19,500 members to drive significant efficiencies and tackle important social issues. 15,000 members are based in local authorities. There are around 600 communities covering a variety of subjects, including business transformation, organisational benchmarking, performance, sustainability and climate change, reducing re-offending and delivering excellent childcare and education. The Scottish network has seen more than 26,000 individual social interactions in 2021, which is around half of the total platform social activity. A number of professional associations, including the Society of Local Authority Lawyers and Administrators in Scotland, the Society of Personnel and Development in Scotland, Heads of Planning Scotland and Trading Standards Scotland, utilise the platform for online collaboration.

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FOR THE YEAR ENDED 31 MARCH 2022

- We have continued to develop our **website** to better showcase our work. It provides improved personalisation, search and mobile experience and complies with the latest accessibility standards. With enhanced analytics, we can now understand our stakeholders' requirements and develop new content to match their needs.
- We successfully retained **ISO27001** certification, the internationally-recognised standard demonstrating our commitment to keeping data, staff and premises secure. We delivered cyber awareness training to all staff in line with our commitment to maintain a culture of good cyber hygiene.
- We achieved all 32 Councils as users of the **myaccount** service by 31 December 2021, resulting in Scotland-wide coverage. In parallel, subscriber numbers grew by 31 December 2021, reaching just 2,300 short of the 1.5 million forecasted figure, and a 26% year-on-year increase. We expanded the adoption, uptake and usage of the myaccount service, with organisations using the service rising to 34, comprising all Councils, NHS Scotland and Young Scot. We helped fuel the expansion of digital service experienced in a lockdown environment, with annual authentication requests for the myaccount service rising to 9.63M, a 27% year-on-year increase.
- We secured all 32 Councils as users of **GETYOURNEC.SCOT** by 31 December 2021, as forecasted, in advance of applications opening for the Young Persons' Free Bus Travel Scheme on 10 January 2022, avoiding the potential of a postcode lottery for young people or parents/guardians when applying online for a National Entitlement Card. We were the Gold Winner in the Innovation category at IESE UK Awards 2021 in recognition of leading GETYOURNEC.SCOT's development, rollout and impact.
- A new Card Management System, vital in underpinning the **National Entitlement Card Scheme's** ongoing delivery, went live on the exact date planned, 23 November 2021, resulting in the National Entitlement Card Programme Office continuing normal service, and leading to cards being produced, issued and working as normal on services accessible to cardholders.
- We successfully launched the **Young Persons' Free Bus Travel Scheme** on 31 January 2022 in conjunction with our delivery partners Transport Scotland, the National Entitlement Card Programme Office and Young Scot, delivering a Programme for Government commitment.
- We successfully expanded **parentsportal.scot's** footprint to make it available in 8 Councils, over 800 primary and secondary schools covering over 106,000 school-age children. A further 3 Councils are soft launching prior to a wider roll out.
- We expanded the adoption of the **Data Hub** to 31 organisations, including 22 Councils, helping improve the quality and accuracy of local data, enabling it to inform decision-making.
- Through **bisaccount.scot**, we developed and made available to all councils a secure online application process, resulting in over 1,600 businesses, operating as nurseries/child day-care settings, accessing financial support to adjust to Covid-19's impact, whilst keeping their premises open for children of essential workers.
- We received Scottish Government funding to develop and make available to all councils a **National Dog Control Notice Database**. Representing a Programme for Government commitment, the database will be available from February 2022, it being viewed by all councils and other stakeholders as a vital tool in improving the operational effectiveness of dog control legislation and in tackling irresponsible dog ownership.
- We have continued to improve the technical capability of the **Spatial Hub** and increased and improved the Local Government data available. We have also begun to transform, improve and share key health and social care datasets.

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STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

Financial governance and compliance

In order to strengthen compliance and mitigate risk, much work was undertaken in 2021-22 to improve IS financial governance. This included:

- Revising and updating the Financial Regulations and Scheme of Delegation
- Reviewing and revising the reports produced for the Audit Committee, Board and Senior Leadership Team; including development of financial statement reports, revised management accounts and rolling 12 month cashflow forecasts
- Review of the staffing and roles within the Finance Team
- New guidelines developed for the recovery of overheads from grant income
- Professional advice and VAT review by Azets
- Professional advice from Azets on Employment tax issues
- A review of the current finance system which was no longer fit for purpose and recommendation of a new finance system, which has now begun implementation

A review of all finance policies and procedures was undertaken and the Audit Committee have reviewed new policies on procurement, reserves, VAT and Fixed Assets. A policy register of all Finance and HR policies will be developed, to include responsibilities and review dates. This will be reviewed annually by the Audit Committee.

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 2021/22, 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 £5.791M deferred income from the last financial year and this year carry forward a balance of £7.219M, with full approval from all funding organisations. The increase in deferred income is due to new funding that was granted to cover more than one financial year.

We continued to develop our funding base and exceeded our 2021/22 target of £2M for bringing in additional resources to the sector. £5.956M was brought in from outwith the sector, the highest level achieved since the inception of the company. Of this total, £2.753M was received for the Young Person's Travel Scheme

Total grant income secured to 31st March 2022 was £14,388,525. An analysis of the income is shown in the table below:

Core Management	1,656,000
DPS	4,100,000
Commercial	609,397
Other Specific Grants	5,863,113
LGDO	1,677,372
Partnership Funding	482,643
Total	14,388,525

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FOR THE YEAR ENDED 31 MARCH 2022

Income brought forward was £5,790,657, plus income received during the year of £14,388,525 amounted to £20,179,183. Income expended in 2021/22 amounted to £12,960,313 (including transfer of Local Government Digital Office of £2.475m) with a carry forward of £7,218,870 to future years.

Investment income of £21,258 was received.

Next Year Financials:

We will receive £1.656M Revenue Support Grant to fund our core programmes for 2022/23 similar to last year. £4.100M, has been secured for the Digital Public Services programme, which is underpinned by an MOU.

Key Performance Indicators

IS key performance indicators for 2021/22 are noted below:

Key Performance Indicators	Target	Actual
Additional Resources into the Sector	£2.5M	£5.956M
Programme Performance	96%	96.4%
Staff Satisfaction Indicator	75%	n/a*
Customer Satisfaction Indicator	75%	88%
Sickness absence Indicator	1.50%	0.93%

* We did not issue a staff survey in 2021/22 due to the number of surveys we had issued to staff across the course of the year relating to our Covid-19 response and wellbeing.

The Forward Context – Business Plan Priorities

As part of the COSLA/IS Partnership Agreement, the Board and COSLA Leaders agreed that the IS would align its strategic planning timescales to those of COSLA and the election cycle from 2022. In 2022/23, we will refresh our strategic priorities and develop a new five-year Strategic Plan.

Across 2022/23, we will focus our resources on providing improvement support and services that will help us deliver our four strategic priorities.

1. We will support Local Government to live with Covid-19

We will continue to adapt our programmes, products and services as necessary to support Local Government's contribution to the delivery of Scotland's Covid Recovery Strategy and councils with the delivery of their Covid recovery plans. There are clear synergies between our key Business Plan deliverables and the four priorities set out in the national Recovery Strategy – Financial Security for Low Income Households; Wellbeing of Children and Young People; Good, green jobs and fair work; Rebuilding public services – how we will deliver. We are also working with the Scottish Government in relation to the wider role the IS will play in supporting the delivery of the strategy.

2. We will support Local Government to re-build post Covid-19

We will work with councils as they transition from response and recovery to renewal. This will include undertaking work to redesign and reconfigure services in ways that are truly transformative, sustainable, innovative, accessible and digital. We will deliver inclusive omni-channel approaches to public services for those who cannot access digital public services, choose not to or who lack access to the right technology, connectivity or traditional forms of identity evidence. In collaboration with a group of self-selecting Local Authority Chief Executives, we will develop a 'think piece' on leading transformation within place/local public services, framed within the context of known policy commitments, inevitable changes and innovative practice within Scotland, the UK and internationally. This work will be valuable not only in accelerating the changes we have begun to see, but also in reimagining the delivery of key services in a truly transformative way. It will also inform the development of the next IS five-year Strategic Framework, by helping us define the types of support that councils will find most useful as they innovate and transform.

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STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

3. We will support Local Government's contribution to Scotland's National Performance Framework

- **Economy (Sustainable Inclusive Growth)**

We will provide support to the Scottish Local Authority Economic Development Group (SLAED) to bring local authority economic development colleagues together to share good practice and tackle common challenges through the various Strategic and Thematic Groups. We will work with SLAED to deliver the refreshed SLAED Strategic Plan 2022 – 2025 to respond to the impact of the pandemic and deliver on the collective priorities for the next 6 to 12 months. We are also working to ensure that Local Government economic development can effectively influence Scottish Government policy and practice through the gathering and sharing of local economic intelligence and through collating responses to consultations. We will extend the reach of our business verification service - bisaccount.scot - to more organisations, helping local businesses transact securely online. We will further develop it to allow businesses to delegate authority to employees to transact on a business' behalf.

- **Fair Work and Business**

We will work with SOLACE, COSLA, SLAED and Scottish Government to continue to develop and deliver the shared ambitions of No One Left Behind, which will help transform Scotland's employability support system in a radical change towards an all age, needs led, person-centered and integrated range of services that can contribute to sustainable fair employment and tackle the root cause of poverty and disadvantage for priority groups and communities. We will effectively contribute to the delivery of the Scottish and Local Government Partnership Agreement through an equalities first approach, supporting inclusive economic recovery and wellbeing. We will provide practical improvement support to councils to help strengthen Local Employability Partnerships, develop improved service user engagement and contribute to the development of frameworks that support national coherence and local flexibility. We will work with Scotland Excel to support a national approach to local commissioning.

- **Environment (Climate Change)**

We will work with SOLACE, COSLA and others to provide practical improvement support to councils on climate change. This will include helping connect councils better with good practice, signposting to existing resources, tapping into existing networks, supporting elected members' knowledge and scrutiny on this issue, helping embed the climate change agenda across the full range of programmes and supporting professional groups that have a role to play. We will seek to align with skills development and green jobs to ensure connectivity with other Scottish and Local Government policies and programmes. We will explore funding opportunities with Scottish Government to support our priorities on climate change, with a particular focus on work with Scottish and Local Government to consider and evidence the implications of net zero interventions on tackling poverty and inequality, helping to join up significant policy agendas. We will also engage with the Scottish Cities Alliance and Edinburgh Climate Change Institute to explore how we can support their Carbon Scenario Tool Pathfinder Project, particularly in relation to baselining data for area-wide emissions and developing a climate data repository for Scotland.

- **Health and Social Care**

We will work with national improvement bodies to deliver collaborative improvement support to integration authorities, including introducing a joint account management approach (JAM). The improvement support will be offered through the JAM approach, having been successfully tested with 2 Health and Social Care Partnership Chief Officers last summer. Support will comprise of an annual meeting with the Chief Officer and bi-monthly meetings with named persons from the Health and Social Care Partnership and the JAM team to progress improvement work. Seven national organisations make up the JAM team: Care Inspectorate; Healthcare Improvement Scotland; Improvement Service; Public Health Scotland; NHS National Services Scotland; NHS Education for Scotland; and Scottish Social Services Council. We will support Local Government's response to the outcome of the National Care Service consultation.

- **Poverty**

We will continue to work with the Scottish Government to assist its review of debt levy funding. Following an extensive engagement process we are evaluating the effectiveness of a range of funding models. For the seventh consecutive year, we have produced an annual overview report, alongside individual local authority

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STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

reports, which evidence the impact of local authority investment in money and welfare rights advice services. This work will be used to support improvement within the sector. We are managing a two year 'Test and Learn' Programme on behalf of the Scottish Government, in which welfare rights workers have been placed in around 150 of the most deprived GP Practices in Scotland. Funding for this initiative is being channelled through local authorities. We are analysing the availability and accessibility of advice services in Scotland and sharing examples of effective delivery approaches – particularly those that reach socially and economically excluded individuals.

- **Poverty/Children**

We will continue to work with local and national partners to support the ongoing development, implementation and improvement of effective child poverty interventions. In doing so, we will continue to host the Child Poverty Peer Support Network and engage other peer support and learning networks to identify and share good practice and provide support and constructive challenge in relation to tackling child poverty and the Local Child Poverty Action Reports (LCPAR). In partnership with Public Health Scotland, we will act as a conduit between Local Government child poverty leads and the Scottish Government, facilitating engagement and influence in regard to national policy, particularly the development of the new Tackling Child Poverty Plan. We will continue to chair the National Partners LCPAR Co-ordination Group, supporting improvement actions identified through self-evaluation. We will continue to contribute to the delivery of the Parental Employment Support Fund, supporting parents to increase income through employment. We will contribute to the review of labour market policies to improve access and support for parents to enter and progress in employment.

- **Children**

The new statutory entitlement for 1140 hours of funded Early Learning and Childcare (ELC) has been in place since August 2021. We will continue to be a point of connection for both Scottish and Local Government, bridging the gap between national policy and local implementation, and will support local authorities in implementing service improvements that will realise in full the intended outcomes of the ELC expansion. This will include, but will not be limited to, supporting local authorities in workforce planning improvements, in addressing the thematic challenge of 2-year-old uptake, and helping to standardise processes for calculation of sustainable rates paid to private and third sector providers. Alongside this sectoral improvement work, we will continue to gain a clear understanding of the status and trajectory of the sector on a national and local level, while identifying opportunities and highlighting any areas of risk through data collection and data analysis. This will be fed back to Scottish Government and COSLA through regular delivery progress reports, providing assurance on the status of the sector.

We will, through our partnership with SEEMiS, continue managing and delivering parentsportal.scot, including to enhance it through new services and features, including a mobile app. We will aim to increase the portal's footprint to reach 18 councils and over 200,000 people with parental responsibility for over 300,000 school-age pupils while increasing annual authentication requests to over 1 million. Through our partnership with Young Scot, we will continue supporting the Young Scot Membership platform powered by myaccount, helping membership numbers rise towards Young Scot's target of 175,000. We will develop a prototype for a digital Young Scot National Entitlement Card for use on a Show and Go basis. We will ensure that assets for which we are accountable – the National Entitlement Card, myaccount, parentsportal.scot and GETYOURNECSCOT – continue underpinning the Young Persons' Free Bus Travel Scheme which came into effect on 31 January 2022, contributing directly to Programme for Government commitments and to national outcomes being achieved, including encouraging sustainable travel behaviours for up to 1 million young people under 22 years of age while improving access to education, leisure, work and other opportunities.

We will work with Solace to consider and agree how best we can support the Local Government sector with the delivery of 'The Promise' over the lifetime of the Plan 21-24. This is likely to include dedicated improvement support, in addition to ensuring all of our related programmes such as UNCRC implementation, child poverty, protecting people etc. are working with Local Government colleagues to support them to embed the Promise.

IMPROVEMENT SERVICE COMPANY

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

- **Communities**

Building upon the successful delivery of the Digital Planning Pathfinder on Data, we will undertake further work developing standards and promoting improved data governance for planning data. We shall also contribute to the delivery of Scotland's Digital Planning Strategy by utilising the rich array of data in the Spatial Hub. We will continue to promote the identified need for national data on health within the planning system, to deliver on National Planning Framework Outcomes on improving health and reducing inequality.

We will continue to co-ordinate Scotland's Violence Against Women Network and support local authorities to improve outcomes for women and children experiencing domestic abuse and other forms of gender-based violence within their local communities. This work will include supporting local authorities, and their public and third sector partners, to: develop local strategies and action plans for tackling violence against women and girls; measure the progress they are making in improving outcomes for women and children and identify any areas for improvement; and embed the lived experience of survivors in their system and service design processes.

We will also continue to work in partnership with the Scottish Government and NHS Education for Scotland (NES) to help local authorities to develop trauma-informed and responsive systems, services and workforces to help improve outcomes for people affected by trauma and adversity. This work will include: continuing to coordinate the network of Trauma Champions across Local Authorities, Health Boards, Health and Social Care Partnerships and other key community planning partners to help share learning and good practice; working with partners to develop a Quality Indicator Framework for Trauma-Informed Services, Systems and Workforces to support local areas with implementation and improvement planning; and continue to raise awareness of the benefits of a trauma-informed approach and connect trauma-informed policy and practice to a broad range of local and national strategic priorities.

- **Human Rights**

We will continue to provide support for the implementation of the Fairer Scotland Duty across Scotland, working with the listed agencies to identify and share best practice, develop practical guidance for officers and elected members and further develop online resources via the Knowledge Hub. We will host and support the Fairer Scotland Duty Leads Network and provide training to relevant organisations. This work will include supporting approaches to Impact Assessments and helping to streamline and connect broad areas of strategic importance to Local Government, such as wellbeing economies, environment, equalities, fairness and poverty outcomes.

We will host a Project Manager who will support the work of Local Government in the implementation of the United Nations Convention for the Rights of the Child (UNCRC). Additionally, across our programmes we will support Local Government and wider stakeholders to support the implementation of the UNCRC, particularly through our work on tackling inequality, child poverty, embedding trauma informed practice and improving life chances for children and young people, all of which interlink and can help. The project manager will work with other IS colleagues to embed UNCRC across their programmes as well as provide support for Local Government through training, engagement and a collaborative learning programme. The project manager will also work in partnership with a range of other Scottish Government funded organisations focussed on UNCRC.

4. We will support Local Government, working with communities and partners, to deliver place-based approaches

We will partner with Public Health Scotland to support councils, communities and partners to work and plan together to improve the lives of people, support inclusive economies and improve equity in health and wellbeing through the creation of more successful places. This includes co-funding a joint Place and Wellbeing Partnership Lead to encourage new ways of working across national and local, and sectoral and disciplinary boundaries on policy and decision making processes that prioritise shared Place and Wellbeing Outcomes. We will prioritise our focus on the social determinants of health under the remit of Local Government including pulling on our own expertise in areas such as economic development, employability, planning and child poverty. We will work with national partners and agencies to develop a more place based approach to service design and delivery.

We will continue to work in partnership with Public Health Scotland on the Shaping Places for Wellbeing Programme. Using funding from the Health Foundation and Scottish Government, this three- year programme of intensive local work will provide a staff resource and support 4 project towns to take action on delivering the Place and Wellbeing Outcomes. We will work with the local authority, health board and a range of national and local partners to coordinate and deliver targeted action and lasting systems change in local approaches.

IMPROVEMENT SERVICE COMPANY

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

This support will contribute to delivering a range of national ambitions including the Place Principle, Scotland's Public Health Priorities, 20 minute/ local living neighbourhoods and net zero carbon emissions within an overarching context of reducing inequality. A local learning cohort will include a further 4 mentored towns and 4 learning partners to enable approaches to be scaled across Scotland. A national leadership forum will continue to be facilitated to address national barriers to local action.

Supporting the Delivery of our Strategic Priorities

All of the work delivered by our three teams will contribute directly, or indirectly, to the delivery of our four Strategic Priorities.

1. Transformation, Performance and Improvement

Our core improvement offer will underpin the delivery of our Strategic Priorities. We will:

- Work with councils as they develop their transformation programmes and options for future operating models as we emerge into recovery from the pandemic.*
- Continue to deliver support and advice on change management and organisational development.*
- Work closely with the Data and Intelligence team to target IS improvement activity in areas where data indicates that local authority performance improvement is slowing or declining.*
- Embed our approach to self-evaluation and improvement planning across local authorities, other public services, partnerships and within priority outcome areas, including an assessment of the impact and reaction to the pandemic.*
- Work with councils and elected members to co-design, develop and deliver our elected member development programme, including ensuring standard induction materials are in place for new members following the 2022 local elections.*
- Continue to grow the number of active Knowledge Hub users and groups across Scotland's public services and, in parallel, explore options for a refreshed collaboration tool*

2. Digital Public Services

- We will maintain continuity of service for our digital public services. We will manage and develop them effectively, resiliently and innovatively, reflective of their role in the delivery of digital services across a range of outcome areas and in assisting citizens to manage their relationships with public services, online and offline.*
- We will, through joint working with the Local Government family, contribute to the delivery of Scotland's Digital Strategy, including the Local Government elements of its eight themes and fifty-two actions. For example:*
 - We will continue to maintain continuity of the myaccount service, ensuring it remains fit for purpose.*
 - We will continue to grow the use of the myaccount service, further expanding subscribers and the volume of authentication requests, unique and returning visitors.*
 - We will aim to expand myaccount subscriber numbers to 1.75 million. We anticipate subscriber numbers plateauing, as we see authentication requests (forecasting an increase to 12 million annually), unique and returning visitors numbers taking on an even greater focus. We will continue laying the foundations for the myaccount service's future, closely aligning the myaccount service and the Digital Identity Scotland Programme as it looks to develop a common approach to Digital Identity Establishment across the public sector, centred on the delivery of a digital identity 'Attribute Store/Personal Locker' based model.*
 - We will protect and maintain ISO27001 certification, the internationally recognised standard for managing information security.*
 - We will continue growing uptake and usage of both the Data Hub and bisaccount.scot, increasing their impact even further.*
 - We will continue, with our delivery partner, Dundee City Council, managing the National Entitlement Card Scheme to maintain service continuity and availability. We will ensure the Scheme, and the components on which it relies, are fit for purpose and meet Scheme users' needs. We will capitalise on the January 2022 launch of the Young Persons' Free Bus Travel Scheme to exploit and grow usage of the National Entitlement Card and to increase the impact of the National Entitlement Card Scheme itself.*
 - We will seek to minimise the carbon footprint and the environmental impact on climate, both from the way we operate and manage the services for which we are accountable and through our supply chain.*

IMPROVEMENT SERVICE COMPANY

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

3. Data and Intelligence

- We will implement a series of technical upgrades to the Spatial Hub and continue to work with councils to extend the range of spatial data sets and improve the quality of spatial information available.
- We will explore the development of a long-term and sustainable funding model for the Spatial Hub that will enable us to meet the aspirations of Scotland's open government policy by making the Spatial Hub data freely available to anyone who wishes to use it.
- We will extend the facility to host other organisation's data in the Spatial Hub.
- We will continue to work with local authority property and street gazetteer custodians and Ordnance Survey/GeoPlace to improve and enhance the vital address and street datasets for Scotland.
- The One Scotland Gazetteer will underpin Census 2022, providing the source of the address information to be used for Scotland's first fully digital Census. It will also provide the source of the address and street data that shall form the Scottish Emergency Services Gazetteer. We will continue to support the emergency services and Ordnance Survey in the ongoing development of this resource.
- We will continue working in partnership with Public Health Scotland and NHS Scotland to support ongoing data improvements through the health service related to systems, property and street information and location.
- We will continue to support TellmeScotland.
- We will engage with the Scottish Cities Alliance and Edinburgh Climate Change Institute to explore how we can support their Carbon Scenario Tool Pathfinder Project, particularly in relation to baselining data for area-wide emissions and developing a climate data repository for Scotland.
- We will work with SOLACE and COSLA to continue to develop and embed the Local Government Benchmarking Framework and target IS improvement activity in areas where local authority performance improvement is slowing or declining.
- We will update the Community Planning Outcomes Profile and support CPPs to utilise the profile to enhance local planning, performance and reporting arrangements, including that required for the Local Outcomes Improvement Plans.
- We will continue to deliver the Local Government Covid-19 Dashboard and supply councils with relevant and timely data to help them track recovery and inform decisions. Work will continue to improve automation and extend knowledge and practice in the use of platforms such as Microsoft Power BI.
- We will deliver Phase 1 in the development of the Local Government Data Platform which aims to deliver improved governance and control of the lifecycle of Local Government data returns.
- We will maximise the use of our research and analytical services by Local Government to support analysis, thinking and decision-making in priority areas.
- We will offer support and guidance to any local authority looking to improve any aspect of their data and intelligence where necessary.

Impact of Covid-19

The IS closed its office on 17th March 2020 in line with Scottish Government guidance to limit all non-essential travel and contact with others. Employees worked from home until the Scottish Government changed its guidance and allowed offices to re-open. We re-opened the office initially for three days a week, and then two-days a week, giving employees the option to adopt a hybrid working pattern spending some of their time at home and some in the office. We will review our operating model and office arrangements in 2022/23.

Our governance arrangements have remained unaltered since the pandemic commenced, with the IS Board and Audit Committee continuing to meet on its quarterly cycle.

Our funding for 2022/23 has not been impacted by Covid-19, with Scottish Government and other funders confirming that they will honour existing grant agreements. The improvement programmes that we are funded to deliver, in addition to our core and Digital Public Services grants, are in policy areas that are of paramount importance in the recovery from Covid-19 and tackling the cost of living crisis. These include employability, Fairer Scotland Duty, Violence against Women and Girls, Child Poverty, Early Learning and Childcare Expansion and Advice Services.

Total income secured to 30th June 2021 is £10,374,148, including £656,105 of additional resources from Local Government sector grant funding and commercial income.

IMPROVEMENT SERVICE COMPANY

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

We are negotiating a longer-term Framework Agreement with Scottish Government for our Digital Public Services funding from 2022/23. We will also consider new business development and growth / income generation opportunities during 2022/23.

We have achieved some small savings since closing the office, predominantly from reduced running costs and travelling expenses. Our contracts with existing suppliers and partners continue to work well and there have been no redundancies resulting from loss of income arising from Covid-19.

This report was approved by the Board on30th November 2022..... and signed on its behalf by



Councillor Shona Morrison
Director

IMPROVEMENT SERVICE COMPANY

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2022

The directors present their annual report and financial statements for the year ended 31 March 2022.

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	
A Fawcett	(Resigned 27 August 2021)
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	
Councillor S Macdonald	(Appointed 17 June 2022)
Councillor S Morrison	(Appointed 17 June 2022)
Councillor E Forson	(Appointed 17 June 2022)
Mrs M Sandison	(Appointed 1 September 2021)

Auditor

Thomson Cooper were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

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.

IMPROVEMENT SERVICE COMPANY

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

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



.....

Councillor Shona Morrison

Date: 30th November 2022

IMPROVEMENT SERVICE COMPANY

REPORT OF THE AUDIT COMMITTEE

FOR THE YEAR ENDED 31 MARCH 2022

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 non-financial performance.

During the financial year 2021/22, the serving Audit Committee were:

- David Robertson (Chair), Chief Financial Officer, Scottish Borders Council - representing Solace from 12th August 2019
- Angela Scott Chief Executive, Aberdeen City Council - representing the IS Board from February 2021
- Councillor Graham Houston (Stirling Council) representing COSLA and IS Board member from 7th June 2019

During 2020/21, the Audit Committee met on five occasions:

- 21st May 2021
- 20th August 2021
- 20th September 2021
- 17th November 2021
- 14th February 2022

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; and
- An update on the corporate risk register.

In the course of the year the Audit Committee also:

- Approved Investment recommendations aligned with the IS Treasury policy
- Approved the revised Financial Regulations and Scheme of Delegation
- 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.
- Sought specialist pension advice to help inform the Board's future pension strategy.
- Reviewed changes to the IS Finance function and overhead recovery guidelines.
- Considered and recommended Board approval of the 2022/23 budget and business plan.
- Continued to oversee the operations of the Digital Office for Scottish Local Government and its transition to COSLA on 31st March 2022.

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
Interim Chair of the Improvement Service Audit Committee

IMPROVEMENT SERVICE COMPANY

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 2022 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 2022 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.

IMPROVEMENT SERVICE COMPANY

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF IMPROVEMENT SERVICE COMPANY

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.



Sharon Collins (Senior Statutory Auditor)

For and on behalf of Thomson Cooper, Statutory Auditors

Dunfermline

14 December 2022

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IMPROVEMENT SERVICE COMPANY

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £	2021 £
Turnover		12,960,314	9,444,953
Administrative expenses		(14,158,314)	(9,884,953)
		<hr/>	<hr/>
Operating deficit	4	(1,198,000)	(440,000)
Interest receivable and similar income	7	21,258	17,617
Interest payable and similar expenses	8	(159,000)	(19,000)
		<hr/>	<hr/>
Deficit for the financial year		(1,335,742)	(441,383)
Other comprehensive income			
Actuarial gain/(loss) on defined benefit pension schemes		4,135,000	(6,148,000)
		<hr/>	<hr/>
Total comprehensive income for the year		<u>2,799,258</u>	<u>(6,589,383)</u>

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 2022

	Notes	2022 £	£	2021 £	£
Fixed assets					
Tangible assets	9		23,605		27,670
Current assets					
Debtors	11	3,717,903		1,100,409	
Investments	12	2,707,987		1,500,000	
Cash at bank and in hand		2,697,292		4,570,209	
		<u>9,123,181</u>		<u>7,170,618</u>	
Creditors: amounts falling due within one year	13	<u>(8,430,908)</u>		<u>(6,503,668)</u>	
Net current assets			<u>692,273</u>		<u>666,950</u>
Total assets less current liabilities			<u>715,878</u>		<u>694,620</u>
Provisions for liabilities					
Defined benefit pension liability	14	<u>4,400,000</u>		<u>7,178,000</u>	
			<u>(4,400,000)</u>		<u>(7,178,000)</u>
Net liabilities			<u>(3,684,122)</u>		<u>(6,483,380)</u>
Reserves					
Income and expenditure account	16		<u>(3,684,122)</u>		<u>(6,483,380)</u>
Members' funds			<u>(3,684,122)</u>		<u>(6,483,380)</u>

The financial statements were approved by the board of directors and authorised for issue on 30/11/2022 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 2022

	Pension reserves £	Other reserves £	Total £
Balance at 1 April 2020	(571,000)	677,003	106,003
Year ended 31 March 2021:			
Loss for the year	(459,000)	17,617	(441,383)
Other comprehensive income:			
Actuarial gains on defined benefit plans	(6,148,000)	-	(6,148,000)
Total comprehensive income for the year	(6,607,000)	17,617	(6,589,383)
Balance at 31 March 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)

IMPROVEMENT SERVICE COMPANY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £	£	2021 £	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	19		(673,913)		1,014,110
Investing activities					
Purchase of tangible fixed assets		(12,276)		(10,575)	
Proceeds from disposal of investments		1,500,000		-	
Interest received		21,258		17,617	
Net cash generated from investing activities			1,508,982		7,042
Net increase in cash and cash equivalents			835,069		1,021,152
Cash and cash equivalents at beginning of year			4,570,209		3,549,057
Cash and cash equivalents at end of year			5,405,278		4,570,209

IMPROVEMENT SERVICE COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

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 is: Hub, Quarrywood Court, Livingston Village, Livingston, Scotland, EH54 6AZ.

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 2022.

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.

IMPROVEMENT SERVICE COMPANY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

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.

IMPROVEMENT SERVICE COMPANY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

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.

IMPROVEMENT SERVICE COMPANY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

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

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

IMPROVEMENT SERVICE COMPANY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

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.

IMPROVEMENT SERVICE COMPANY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

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

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.

IMPROVEMENT SERVICE COMPANY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

3 Turnover

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

	2022 £	2021 £
Core management	1,405,987	1,655,607
Digital Public Services	4,252,734	3,822,822
Commercial	662,660	501,445
Other specific grants	4,072,422	1,791,879
Partnership funding	2,566,511	1,673,200
	<u>12,960,314</u>	<u>9,444,953</u>

Included within turnover is 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.

4 Operating Loss

	2022 £	2021 £
Operating deficit for the year is stated after charging:		
Fees payable to the company's auditor for the audit of the company's financial statements	7,339	7,549
Depreciation of owned tangible fixed assets	16,342	21,330
Operating lease charges	<u>68,209</u>	<u>68,317</u>

5 Employees

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

	2022 Number	2021 Number
Core	8	8
Transformation Performance and Improvement	30	27
Local Government Digital Office	11	13
Digital Public Services	14	9
Data and Intellegence	20	17
Other	<u>1</u>	<u>8</u>
Total	<u>84</u>	<u>82</u>

IMPROVEMENT SERVICE COMPANY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

5 Employees

(Continued)

Their aggregate remuneration comprised:

	2022 £	2021 £
Wages and salaries	3,830,455	3,641,856
Social security costs	421,743	408,371
Pension costs	1,864,318	1,111,789
	<u>6,116,516</u>	<u>5,162,016</u>

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 £503,879 (2021: £527,299)

6 Directors' remuneration

	2022 £	2021 £
Remuneration for qualifying services	118,039	115,114
Company pension contributions to defined contribution schemes	21,483	21,642
	<u>139,522</u>	<u>136,756</u>

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

7 Interest receivable and similar income

	2022 £	2021 £
Interest income		
Interest on bank deposits	<u>21,258</u>	<u>17,617</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through surplus or deficit	<u>21,258</u>	<u>17,617</u>
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IMPROVEMENT SERVICE COMPANY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

8 Interest payable and similar expenses

	2022 £	2021 £
Other finance costs:		
Net interest on the net defined benefit liability	159,000	19,000

9 Tangible fixed assets

	Fixtures and fittings £
Cost	
At 1 April 2021	169,172
Additions	12,276
At 31 March 2022	181,448
Depreciation and impairment	
At 1 April 2021	141,502
Depreciation charged in the year	16,341
At 31 March 2022	157,843
Carrying amount	
At 31 March 2022	23,605
At 31 March 2021	27,670

10 Financial instruments

	2022 £	2021 £
Carrying amount of financial assets		
Instruments measured at fair value through surplus or deficit	2,000,000	1,500,000

11 Debtors

	2022 £	2021 £
Amounts falling due within one year:		
Other debtors	3,717,903	1,100,409

12 Current asset investments

	2022 £	2021 £
Fixed term deposit with Dundee City Council	-	1,500,000
Fixed term deposits with Moray Council	2,000,000	-
	2,000,000	1,500,000

IMPROVEMENT SERVICE COMPANY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

13 Creditors: amounts falling due within one year

	2022 £	2021 £
Taxation and social security	76,520	183,324
Other creditors	1,114,330	501,747
Accruals and deferred income	7,240,058	5,818,597
	<u>8,430,908</u>	<u>6,503,668</u>

14 Retirement benefit schemes

	2022 £	2021 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>21,483</u>	<u>21,642</u>

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.

<i>Key assumptions</i>	2022 %	2021 %
Discount rate	2.75	2.05
Expected rate of increase of pensions in payment	3.15	2.80
Expected rate of salary increases	<u>3.65</u>	<u>3.30</u>

<i>Mortality assumptions</i>	2022 Years	2021 Years
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:		

Current pensioners		
- Males	20.3	20.5
- Females	<u>23.1</u>	<u>23.3</u>
Future pensioners		
- Males	21.6	21.9
- Females	<u>25.0</u>	<u>25.2</u>

IMPROVEMENT SERVICE COMPANY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

14 Retirement benefit schemes

(Continued)

	2022 £	2021 £
<i>Amounts recognised in the profit and loss account</i>		
Current service cost	1,863,000	1,083,000
Net interest on net defined benefit liability/(asset)	159,000	19,000
Total costs	2,022,000	1,102,000

	2022 £	2021 £
<i>Amounts taken to other comprehensive income</i>		
Actual return on scheme assets	(4,518,000)	5,776,000
Less: calculated interest element	383,000	372,000
Return on scheme assets excluding interest income	(4,135,000)	6,148,000

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

	2022 £	2021 £
Present value of defined benefit obligations	27,950,000	16,956,000
Fair value of plan assets	(23,550,000)	(9,778,000)
Deficit in scheme	4,400,000	7,178,000

	2022 £
<i>Movements in the present value of defined benefit obligations</i>	
Liabilities at 1 April 2021	25,493,000
Current service cost	1,863,000
Benefits paid	(213,000)
Contributions from scheme members	265,000
Interest cost	542,000
At 31 March 2022	27,950,000

	2022 £
<i>The defined benefit obligations arise from plans funded as follows:</i>	
Wholly unfunded obligations	-
Wholly or partly funded obligations	(27,950,000)
	27,950,000

IMPROVEMENT SERVICE COMPANY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

14 Retirement benefit schemes

(Continued)

	2022 £
<i>Movements in the fair value of plan assets</i>	
Fair value of assets at 1 April 2021	18,315,000
Interest income	383,000
Return on plan assets (excluding amounts included in net interest)	4,135,000
Benefits paid	(213,000)
Contributions by the employer	665,000
Contributions by scheme members	265,000
	<hr/>
At 31 March 2022	23,550,000
	<hr/> <hr/>

The actual return on plan assets was £4,518,000 (2021 - £5,776,000).

	2022 £	2021 £
<i>Fair value of plan assets at the reporting period end</i>		
Equities	16,720,500	7,235,720
Bonds	3,061,500	1,173,360
Property	1,413,000	684,460
Cash	2,355,000	684,460
	<hr/>	<hr/>
	23,550,000	9,778,000
	<hr/> <hr/>	<hr/> <hr/>

The estimated employer contributions for the year to 31 March 2023 are £665,000.

15 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.

16 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 £515,878 as a change fund.

IMPROVEMENT SERVICE COMPANY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

17 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2022	2021
	£	£
Within one year	-	28,189
	<u> </u>	<u> </u>

IMPROVEMENT SERVICE COMPANY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

18 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
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

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.

Balances due to/from Related Parties are as follows:

Public Body	Payable to		Receivable from	
	£		£	
	2021/22	2020/21	2021/22	2020/21
Aberdeen City Council	-	-	30,405.00	66,595.00
Aberdeenshire Council	-	-	39,023.00	
East Lothian Council	-	39,388.00	-	166,070.00
Fife Council	-	-	38,353.00	45,800.00
Inverclyde Council	-	-	48,233.00	21,714.00
Shetland Islands Council	-	1,960.00	13,000.00	23,600.00
Stirling Council	-	4,761.00	20,410.00	23,820.00
West Dunbartonshire Council	-	4,145.00	-	24,105.00
East Renfrewshire Council	-	5,131.00	20,870.00	22,550.00

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

- Funding was received from the Scottish Government totalling £9,681,500 (2021: £7,153,324). Payments totalling £Nil (2021: £190,000) were made to the Scottish Government. Included within this funding is £1,656,000 (2021: £1,655,606) which relates to core income receivable.

IMPROVEMENT SERVICE COMPANY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

18 Related party transactions

(Continued)

- £2,496,960 (2021: £34,475) of grant funding, and £8,000 (2021: £Nil) of expenses payable to the Convention of Scottish Local Authorities (COSLA). £Nil (2021: £Nil) is included in creditors at the balance sheet date. The grant funding paid to COSLA 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.
- £96,028 (2021: £184,165) was payable to West Lothian Council in relation to transaction processing and income received of £29,120 (2021: £31,400). £309,052 was owed to West Lothian Council (2021: £117,326) at the balance sheet date.

19 Cash (absorbed by)/generated from operations

	2022 £	2021 £
Deficit for the year after tax	(1,335,742)	(441,383)
Adjustments for:		
Finance costs	159,000	19,000
Investment income	(21,258)	(17,617)
Depreciation and impairment of tangible fixed assets	16,341	21,330
Pension scheme non-cash movement	1,198,000	440,000
Movements in working capital:		
Increase in debtors	(2,617,494)	(774,257)
Increase in creditors	1,927,240	1,767,037
Cash (absorbed by)/generated from operations	(673,913)	1,014,110

20 Analysis of changes in net funds

	1 April 2021 £	Cash flows £	31 March 2022 £
Cash at bank and in hand	4,570,209	835,069	5,405,278

IMPROVEMENT SERVICE COMPANY
MANAGEMENT INFORMATION
FOR THE YEAR ENDED 31 MARCH 2022

IMPROVEMENT SERVICE COMPANY

DETAILED TRADING AND INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2022

		2022		2021
	£	£	£	£
Income				
Core Management		1,405,987		1,655,607
Customer First		4,252,734		3,822,822
Commercial		662,660		501,445
Other specific grants		4,072,422		1,791,879
Partnership funding		2,566,511		1,673,200
		<u>12,960,314</u>		<u>9,444,953</u>
Establishment				
Rent re operating leases	68,209		68,317	
Rates	30,636		30,606	
Cleaning	2,670		5,141	
Light and heat	9,836		8,397	
Repairs and maintenance	9,278		4,373	
Insurances	25,288		24,052	
		<u>(145,917)</u>		<u>(140,886)</u>
Administrative expenses				
Wages and salaries	3,698,965		3,523,566	
Social security costs	421,743		408,371	
Private contractors	2,601,518		1,925,925	
Staff recruitment costs	18,260		23,523	
Staff training	15,821		26,998	
Staff pension costs defined benefit (allocation)	644,835		650,147	
Lothain Pension Fund adjustment	1,198,000		440,000	
Other staff costs	13,451		3,176	
Directors' remuneration	118,039		115,114	
Directors' pension costs	21,483		21,642	
Computer consumables	118,504		105,325	
Secondes	330,895		430,073	
Subscriptions	61,098		9,927	
Legal and professional fees	12,686		35,457	
Consultancy fees	67,331		235	
Audit fees	7,339		7,549	
Bank charges	3,720		2,534	
Irrecoverable VAT	329,846		171,046	
Release of deferred government grant	-		(21,330)	
Bad debt written off	(1,366)		-	
Amounts paid to other Public Sector organisations	1,766,994		1,784,207	
Local Government Digital Office transfer to COSLA	2,475,000		-	
Printing, postage and stationery	35,489		26,808	
Advertising	57		1,480	
Telephone	11,632		15,110	
Corporate events	18,184		7,633	
Sundry expenses	6,532		8,221	
Depreciation	16,341		21,330	
		<u>(14,012,397)</u>		<u>(9,744,067)</u>

IMPROVEMENT SERVICE COMPANY

DETAILED TRADING AND INCOME AND EXPENDITURE ACCOUNT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

	£	2022 £	£	2021 £
		<hr/>		<hr/>
Operating deficit		(1,198,000)		(440,000)
Interest receivable and similar income				
Bank interest received	21,258		17,617	
	<hr/>	21,258	<hr/>	17,617
Interest payable and similar expenses				
Net interest on defined benefit liability		(159,000)		(19,000)
		<hr/>		<hr/>
Deficit before taxation	10.31%	(1,335,742)	4.67%	(441,383)
		<hr/> <hr/>		<hr/> <hr/>
