Company Registration No. SC287978 (Scotland)

IMPROVEMENT SERVICE COMPANY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

IMPROVEMENT SERVICE COMPANY

COMPANY INFORMATION

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	S Grimmond	
	A Scott	
	Councillor A Evison	
	Councillor M Bell	
	Councilllor N Benny	
	Councillor G Houston	
	L McMillan	(Appointed 1 February 2021)
Company number	SC287978	
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IMPROVEMENT SERVICE COMPANY

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STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2021

Introduction
The directors present their strategic report for Improvement Service Company (“the Improvement Service” or “IS”) for the year ended 31 March 2021.

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 £441,383 (2020: net loss £697,422).

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 £459,000 and bank interest received of £17,617.

The overall pension liability has increased from £0.571M in 2019/20 to a net pension liability of £7.178M in 2020/21. The balance on the pension fund will change annually according to the economic conditions.

2020/21 marked another very successful year for the Improvement Service. The IS Board agreed a new Strategic Framework 2020 – 2022, which sets out four priorities for targeting support for councils and their partners:

- 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 2020/21 target of £2M for bringing in additional resources to the sector, achieving £2.28M.

- 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**:

    - We played a key role in the Delivery Assurance Team (whose membership comprises of Scottish Government, Scottish Futures Trust and IS) to support the continued delivery of the **expansion of Early Learning and Childcare** (ELC). We provided business analysis capacity to support councils as they implement their ELC Expansion Plans and collated, analysed and reported on key performance indicators to show progress of the expansion, using the analysis to target support where necessary. We provided dedicated support to councils on the expansion and development of their ELC workforce. We provided in-depth knowledge management services to ensure lessons learned and good practice are shared. We also secured further funding through to the end of the 2021/22 academic year to continue to support councils in completing the expansion, as well as reporting on progress to Scottish Government and COSLA to assure delivery. Throughout the COVID-19 pandemic, we acted as direct point of contact for councils to clarify Scottish Government guidance and policy on public health measures in the ELC sector.

    - We continued to host the **Child Poverty National Co-ordinator**s, 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 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 £47.35 million for local governance. We contributed to the development of a Local Employability Partnership Framework, the publication of a Joint Scottish and Local Government Delivery Plan for Employability support in Scotland and contributed to the establishment of the Young Person's Guarantee. We facilitated improved engagement with the Department of Work and Pensions and enabled discussions on the UK Government's Plan for Jobs, specifically focusing on the Kickstart programme, supporting Councils' direct engagement with policy and operational leads. We contributed to the development of a National Framework for Employer Recruitment Incentives, supporting Councils to deliver a single local offer to employers.

  - We worked with Councils to explore developments such as **Community Wealth Building**, using the previously published Economic Footprint Reports for each area to tie into three of the Community Wealth Building pillars.

  - 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 across all 32 local authorities to feed into consultations and calls for views from, for example, the Advisory Group on Economic Recovery.

- We delivered a range of improvement work to address **poverty and inequality**:

  - We completed the work with Fife, North Ayrshire, City of Edinburgh and Glasgow City Councils, along with Public Health Scotland and Scottish Government, on the feasibility of a **Scottish Citizen Basic Income pilot** (CBI), publishing the final report into our findings in June 2020.

  - We secured 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**. In partnership with the four local authorities who participated in the 'test of change', we will publish a report outlining the challenges and drawbacks of allocating debt levy funding through direct grants to local authorities. Following research involving 22 local authorities we have published a report outlining how local authority funded advice services responded to COVID-19.

  - 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. Early in the pandemic, we published a briefing on Poverty, Inequality and Covid-19, which has helped inform discussions and impact assessment. We established a virtual FSD Leads Network to facilitate peer support and the sharing of good practice and useful information. The group were also involved in the refresh of the FSD Guidance, which will be published after a consultation period. We supported the development of the impact assessment processes and engaged in the impact assessment of the draft Climate Ready Clyde Action Plan, the Flu and Covid-19 Vaccination Plan and Vaccination Scheduling Tool.

  - We supported Councils to secure funding for the **Young Parents Project** aligned to the Child Poverty action plan to provide continuous and seamless worker support.

  - We enabled Councils to access funding of £3.5m to support the **Partnership Action for Continuous Employment** (PACE), to provide a local Single Point of Contact (SPOC) in each of the 32 councils, as well as key worker resources to connect with national helplines and provide support locally to individuals at risk of redundancy.

- 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.**

  - In partnership with the Scottish Government, COSLA and Public Health Scotland, we published guidance for local authorities to support them to 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 also secured funding from the Scottish Government to support local authorities and their partner organisation to engage with the **National Trauma Training Programme** and identify actions they can undertake to ensure local systems, services and workforces respond to the needs of people and communities affected by trauma.

  - We continued to develop and rollout support for **place-based working** by applying the Place Principle via webinars, briefing notes and hands on support for a range of councils and partnerships. This typically included providing facilitation, constructive challenge and helping to drive improvement.

  - We have continued to support collaborative work with Public Health Scotland, Directors of Public Health, COSLA, Heads of Planning Scotland, Health Improvement Managers Network and Edinburgh University, shaping a consistent and comprehensive set of **Place and Wellbeing Outcomes** to support the wellbeing of people and planet and the reduction of inequalities. We are collaborating to improve national and local policy and action, with an immediate focus on the ongoing review of the National Planning Framework. We are also supporting stronger links between place and public health as part of a whole system approach to delivering Scotland's Public Health Priorities.

- 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 **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 153 candidates either completed, or progressing, the qualification from across 20 different councils. Furthermore, in 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. 19 candidates have completed or are progressing through the qualification from across nine different councils.

- Our offer of support on **change management** is continually adapted to reflect local authorities' needs. Our **Change Managers' Network** has grown to over 660 members, representing more than 100 organisations, including all 32 Scottish local authorities. During the pandemic, our Network events have moved online and continue to focus on topics that councils have raised with us. We held seven events over the last year with colleagues from 28 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 Midlothian Councils.

- We continued to 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 Local Government Benchmarking Framework 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. This 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. This year, the LGBF includes new measures on Financial Sustainability (reserves, borrowing, and budget performance) and Climate Change, both of which will be key for the period ahead.

- In partnership with the Care Inspectorate and Scottish Care, we piloted an **improvement planning development tool** in six care homes for older people. The Care Inspectorate produced an evaluation report of the pilot and concluded that the impact of the improvement work was positive in focussing staff and management in struggling care homes towards positive steps to improvement. We developed and successfully tested a new **self-assessment checklist for frontline services** in local authorities. We reviewed and refreshed the **Public Service Improvement Framework (PSIF)** in consultation with the PSIF community, and we launched PSIF 2020.

- In order to support recovery and renewal planning in councils, as we move from response to recovery over the coming months and year, the PSIF Self-Assessment team have developed a number of checklists to Capture Learning from the Covid-19 outbreak for council services, at a corporate level, for CPPs and for services. We have captured this learning using the **PSIF self-assessment** approach familiar to many in Local Government. We have worked with services and at a corporate level to facilitate this process and support Councils with the development of New Ways of Working Plans to consolidate and embed the innovations that have emerged in recent months.

- We ran online events and published briefings on topical issues for **elected members**. We developed guidance to support elected members with virtual surgeries and working remotely as a political group and undertook research on the governance arrangements in place across local authorities during lockdown. We developed a new **Political Mentoring Development Programme**, consisting of a mentoring handbook and three live online workshops. We ran six cohorts and we have already seen the positive impact of elected members taking up mentoring roles for potential candidates. We offered **virtual coaching for senior elected members** and the feedback from senior members was the offer had really helped them in their leadership role.

- Our **Organisational Development (OD) Network** membership grew significantly during 2020 and now has more than 90 members. We hosted 12 virtual sessions, giving colleagues the opportunity to network and to sharing information and resources around OD challenges and practices, including leadership development, wellbeing and employee engagement. We developed and launched a **Scenario Planning Toolkit** to support recovery and renewal. The toolkit outlines a five-step approach and contains tools designed for councils to use themselves or with support from IS.

- 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 22,000 members to drive significant efficiencies and tackle important social issues.15,000 members are based in local authorities and 5,000 in the Scottish Government. There are around 850 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 30,000 individual social interactions in 2020, 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.

- We have continued to develop our **website** to 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 also supported COSLA in the redevelopment of their website. Moving to a common platform will allow the shared development and support for both organisations' websites.

- We grew significantly the adoption, uptake and usage of the **myaccount** service. For example, the number of organisations using the service increased to 29, comprising 27 local authorities, NHS Scotland and Young Scot. Registered subscriber numbers rose to almost 1.2M, a 29% year-on-year increase. Annual authentication request volumes rose to 7.6M, a 19% year-on-year increase.

- We successfully launched **getyournec.scot** as a new channel, allowing those eligible to apply for a National Entitlement Card online for the first time. Within less than 6 months of getyournec.scot's launch, we had successfully onboarded almost half (15) of Scotland's Councils by 31 December 2020.

- We successfully achieved the internationally recognised **ISO27001certification**, demonstrating our ongoing commitment to keeping data, staff and premises secure, and helping promote myaccount as a credible solution for Identity Management and satisfy requirements necessary to be part of Scottish Government's Identity Assurance digital ecosystem. We delivered **cyber awareness training** for all staff fully consistent with our commitment to maintain a culture of good cyber hygiene.

- We successfully expanded **parentsportal.scot's** footprint to 7 Councils and 520 schools (almost 25% of the total Scottish local authority-run primary and secondary schools). Parental subscriber numbers increased by 453% year-on-year and linked children numbers increased by 468% year-on-year.

- We expanded the adoption of the **Data Hub** to 24 organisations, including 20 Councils, and uploaded 6.5 million records, helping improve the quality and accuracy of local data.

- We supported Scottish and Local Government to distribute Covid-19 grants. For example, we digitised the application process for **Covid-19 Business Support Grants**, enabling a consistent approach to be adopted across all Local Authorities for over 111,000 applications for over £1 billion of grants. This made it simpler and easier for businesses impacted by the pandemic to apply for vital government financial assistance. We also developed a uniform, secure digital service enabling over 2,000 childcare providers across Scotland in the private, voluntary and not-for profit sectors to apply for vital government financial grants, helping them meet the extra costs incurred in complying with public health guidance in response to Covid-19.

- We have continued to improve the technical capability of the **Spatial Hub** and increased and improved the Local Government data available. We entered into a partnership agreement with EDINA (University of Edinburgh) which has enabled data to be accessed for the first time by the UK academic and research community. For the first time, the Spatial Hub has begun to collect and share non-Local Government data. A reciprocal data sharing agreement was signed with SGN, enabling their gas network to be efficiently shared with Local Government. We have also begun to transform, improve and share key health and social care datasets.

- Our Spatial Information Service was granted responsibility by the Scottish Road Works' Commissioner for the collation and management of **local authority and Transport Scotland street intelligence for the Road Works' Register**. The service also worked in partnership with National Records of Scotland in preparation for the Census 2021, and with emergency services to ensure the One Scotland Gazetteer is accurate and up to date.

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 2020/21, secured as part of the Local Government Finance Settlement. We agreed funding of £3.660M 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 £2.817M deferred income from last financial year and this year carry forward a balance of £5.791M, with full approval from all funding organisations. The increase in deferred income is due to new funding that was either received near to the end of the financial year, or was granted to cover more than one financial year.

In a tough financial climate, we continued to develop our funding base and exceeded our 2020/21 target of £2M for bringing in additional resources to the sector. £2.28M was brought in from outwith the sector, the highest level achieved since the inception of the company.

Total grant income secured to 31st March 2021 was £12,419,238. An analysis of the income is shown in the table below:

	£
Core Management	1,654,610
DPS	4,411,489
Commercial	895,508
Other Specific Grants	3,520,791
Partnership Funding	1,936,840
Total	12,419,238

Income expended in 2020/21 amounted to £9,444,953, with a carry forward of £5,790,926 to future years.

Next Year Financials:

We will receive £1.656M Revenue Support Grant to fund our core programmes for 2021/22 similar to last year.

£3.664M, an increase of £0.004m, has been secured for the Digital Public Services programme, which is underpinned by a 3 year MOU (2018/21).

To date, we have also secured other funding of £2.960m for 2021/22.

Key Performance Indicators
IS key performance indicators for 2020/21 are noted below:

2020/21	**Target**	**Actual**
Additional Resources into the Sector	£2M	£2.28M
Programme Performance	96%	97%
Staff Satisfaction Indicator	75%	87%
Customer Satisfaction Indicator	75%	n/a *
Sickness absence Indicator	1.5%	0.77%

* We did not issue a stakeholder survey in 2020/21 due to the Covid-19 response, as we recognised the pressure council colleagues were operating under

The Forward Context

Across 2020/21, 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 and councils with their Covid-19 response and recovery. This will include running online peer learning networks, publishing research, briefings, thought pieces and data dashboards and facilitating online collaboration through the Knowledge Hub. We will also deliver facilitated self-assessment to councils, using the Public Service Improvement Framework, to capture learning from their response to the pandemic and to enable them to consolidate the new ways of working and innovative practice that has emerged. Finally, we will deliver a greater range of secure and sustainable digital services ensuring services are accessible when local offices are closed, due to Covid-19 restrictions.

2. We will support Local Government to re-build post Covid-19
We will work with Local Government and 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. In collaboration with councils, we will develop proposals and options for the future delivery of key services, based on professional input, learning from the Covid-19 response, performance information and research. 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. We will introduce 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. We will collaborate with Local Government to understand the impact of Covid-19 on their communities, particularly in relation to inequality of outcome as a result of increased socioeconomic disadvantage from e economic and social impacts of the pandemic. We will advocate for the role of place-based approaches to develop new normals, including 20-minute neighbourhoods.

We will also build on the rapid progress achieved both locally and nationally in data sharing, data collaboration and data innovation facilitated by the increased focus on the role of data and intelligence during the pandemic. This will build on the important work delivered by the Improvement Service in the weekly Local Government Covid-19 Dashboard. Across the coming period, the Local Government Benchmarking Framework (LGBF) will be at the heart of progressing system wide improvements in addressing current lags in data availability, streamlining data reporting/scrutiny landscapes, enabling greater automation and technical integration of data systems, and strengthening available insights from data and intelligence. A key element of this will include work with COSLA and the Local Government Digital Office to support the development of the Local Government Data Portal approach, using the LGBF as a primary vehicle for implementation.

3. We will support Local Government's contribution to the 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 review and refresh the SLAED Strategic Plan to respond to the impact of the pandemic and identify 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. 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 develop and deliver the shared ambitions of the Employability Partnership Agreement, which will help transform a radical change towards person-centred, integrated support across the full range of services that can contribute to sustainable employment and related outcomes. We will effectively contribute to the delivery of the Young Person's Guarantee and through an inclusion first approach, promote Fair Work. We will provide practical improvement support to councils to help strengthen Local Employability Partnerships, develop improved service user engagement and help develop a consistent offer to employers to support recovery.

- **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 and 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.

- **Health [and Social Care]**
  We will enter into a Partnership Agreement with Public Health Scotland, to support the delivery of Scotland's public health priorities. We will work with COSLA and Solace to deliver the agreed recommendations in the review of adult social care and to respond to the consultation on the National Care Service. We will work with national improvement bodies to deliver collaborative improvement support to integration authorities, including introducing a joint account management approach. We will work with Audit Scotland to ensure that our self-assessment and improvement planning offer complements, informs and supports the development of the Accounts Commission's approach to Best Value for Integration Joint Boards. We will work with the Scottish Social Services Council (SSSC) and others to support and develop the workforce of the future improving career pathways aligned to skills development and employability.

- **Poverty**
  We will continue to work with the Scottish Government to assist its review of debt levy funding. With support from Scottish Government and COSLA, we are exploring the feasibility of developing a partnership framework that will be used to assist the adoption of a joint approach to funding advice services. The partnership framework will help to align the significant Local Government investment in advice with the broader range of Scottish Government advice-related funding. We will undertake detailed analytical work, which will enable us to publish an annual report evidencing the investment in advice by local authorities and the key outputs achieved. This work will be used to facilitate benchmarking and improvement within the sector. We will continue to work in partnership with Public Health Scotland and the Scottish Public Health Network to provide improved access to advice services in primary care settings.

- **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 develop existing 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. 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 concerning national policy. We will continue to contribute to the delivery of the Parental Employment Support Fund supporting parents to increase income through employment.

- **Children / Young People**
  With the new statutory date for the Early Learning and Childcare Expansion being set for August 2021, we will continue to support local authorities with the delivery of their programmes through the provision of targeted business analysis, workforce planning and knowledge management support. We will pro-actively identify support needs and risks and will 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 will gain a clear understanding of the status and trajectory of the programme on a national and local level, while identifying opportunities and highlighting any areas of risk. This will be fed back to Scottish Government and COSLA through regular delivery progress reports, providing assurance on the delivery of the programme.

  We will continue to work with SEEMiS to deliver the parentsportal.scot and will roll out new services and features. We will aim to increase the portal's footprint to 15 councils, 1000 schools and used by over 150,000 parents responsible for over 200,000 pupils, and we will achieve 1 million annual authentication requests. We will work with Young Scot to continue to support their membership platform, powered by myaccount, to grow membership numbers in pursuit of Young Scot's target of 175,000. We will bring a digital identity to young people lacking identity evidence, leveraging their Young Scot National Entitlement Card (NEC) as an anchor document for verification purposes. We will also explore the feasibility of a digital Young Scot NEC. Finally, we will work with Transport Scotland, the National Entitlement Card Programme Office and Young Scot to deliver the Young Person's Travel Scheme.

- **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 the 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. We will also work in partnership with the Scottish Government and NHS Education for Scotland (NES) to help local authorities to develop trauma-informed systems, services and workforces to help improve outcomes for people affected by adverse childhood experiences (ACEs) and other forms of trauma.

- **Human Rights**
  We will continue to rollout 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. This work will include supporting integrated Impact Assessments, 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 also work with Scottish Government to refresh the Fairer Scotland Duty Guidance, informed by the experience of the Fairer Scotland Duty leads in the implementation of the duty

4. We will support Local Government, working with communities and partners, to deliver place-based approaches
We will collaborate 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 health and wellbeing through the creation of more successful places. This will include 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 collaborate with Local Government and councils to take forward Scottish Government's ambition for 20-minute neighbourhoods, where people live, work and play more locally and can have most of their daily requirements met without the need for a private car.

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 placed based approach to service design and delivery. We will work in partnership with Public Health Scotland, sponsored by COSLA and the Health Foundation, on a three-year programme of intensive local work with a small number of local authorities to implement the Place Principle and the 20-minute neighbourhood ambition. We will work with a range of national and local partners to coordinate and deliver targeted action and lasting systems change.

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 seek to develop their transformation programmes as we emerge into recovery and renewal.
- 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.
- Harness the support we provide to councils from across the IS as they prepare for Best Value Assurance Reports (BVAR) and work with councils requesting our input as they implement their BVAR recommendations.

2. Digital Public Services
We will continue to develop our digital public services, which provide the underpinning infrastructure to support the delivery of digital services across a range of outcome areas. We will also ensure that our work contributes to the delivery of Scotland’s Digital Strategy. For example:

- We will continue to grow the use of myaccount, expanding the number of authentication requests, unique and returning visitors. We will aim to expand myaccount subscriber numbers to 1.6 million and grow authentication requests to around 10 million annually.
- We will work in partnership with Scottish Government’s Digital Identity Scotland (DIS) Programme to deliver a joint project which will consider how the myaccount service becomes one (or more) of the components of the DIS Programme’s attribute management model.
- We will protect and maintain ISO27001 accreditation, an internationally recognised standard for managing information security.
- We will work with our delivery partner, Dundee City Council, to deliver the National Entitlement Card (NEC) Scheme, and procure new contracts for the Scheme, including for card management/ customer relationship system, card bureau services and smartcard supply.

3. Data and Intelligence
We will continue to invest in our collaborative approach to managing and improving data and intelligence across Local Government, resulting in the potential for long-term efficiency gains and cost savings. For example:

- 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 also 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 investigate the feasibility of extending the scope of the Spatial Hub to cover all type of local authority data, with the aim of the Improvement Service becoming the broker for all local authority data in Scotland. This will include standardising the approaches to data management across authorities. We will also offer 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.
- We will develop TellmeScotland to allow the automatic upload of planning notifications.
- 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 maximise the use of our research and analytical services by Local Government to support analysis, thinking and decision making in priority areas.

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 will continue to work from home until the Scottish Government guidance on homeworking changes.

Our employees are well equipped to work from home using Office 365. We have set up a supportive framework for homeworking and have put in place a number of measures to support our people with their health and well-being. We have issued regular internal surveys to gather feedback from employees on the company's approach to responding to Covid-19. We have agreed a plan for the safe reopening of the office, which we will execute in line with Scottish Government guidance.

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 2021/22 has not been impacted by Covid-19, with Scottish Government and other funders confirming 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. 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 £8,280,124, and we have brokered £1,067,895 additional resources into the Local Government sector from grant funding and commercial income.

Discussions are underway with our grant funders in relation to funding for 2022/23 and beyond. This includes negotiating a longer-term Framework Agreement with Scottish Government for our Digital Public Services funding.

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 on 30 September 2021 and signed on its behalf by

Councillor Alison Evison
Director

REPORT OF THE AUDIT COMMITTEE

FOR THE YEAR ENDED 31 MARCH 2021

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 course of 2019/20, the Board undertook a review of the Audit Committee and concluded that from January 2021, the Audit Committee would reduce from five members to three members – two Board Members and one independent member co-opted by the Board. The agreed changes saw three long standing Audit Committee members leave the Committee in November 2020 – Gavin Whitefield (Chair), Councillor Kevin Keenan and Rory Mair. Two Audit Committee members continued to serve on the Audit Committee from January 2021 – Councillor Graham Houston and David Robertson – and Angela Scott was nominated by the IS Board to be the third member.

Thus, during 2020/21, the following served on the Audit Committee, which met on five occasions including a joint meeting with the IS Board:

- Gavin Whitefield - Independent Member and Chair of IS Audit Commitee - resigned November 2020
- Councillor Kevin Keenan - Dundee City Council - representing COSLA - resigned November 2020
- Rory Mair CBE - Independent Member - resigned November 2020
- Councillor Graham Houston - Stirling Council - representing COSLA and IS Board member from 7th June 2019
- David Robertson - 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

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:

- A comprehensive budget monitoring report;
- 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:

- Considered and recommended Board approval of the 2019/20 Annual Accounts and External Auditor's Report thereon.
- Concluded the procurement of External Audit services for 2020/21 – 2022/23, undertaken in partnership with COSLA.
- Sought specialist pension advice to help inform the Board's future pension strategy.
- Approved the 2020/21 Internal Audit Work Programme, and considered reports on the audit of part of the IS Information Security Management System to check compliance with the relevant parts of the ISO27001 standard.
- Considered and recommended Board approval of the 2020/21 budget and business plan.
- Reviewed the Committee's Terms of Reference and did not recommend any further changes.
- Approved a work plan for the Committee in respect of 2021/22.
- Continued to oversee the operation of the Digital Office for Scottish Local Government.
- Completed the Annual Audit Committee Report for inclusion in Annual Accounts/Report.

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 2020/21 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, CIPFA
Interim Chair of the Improvement Service Audit Committee

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF IMPROVEMENT SERVICE COMPANY

Opinion

We have audited the financial statements of Improvement Service Company (the 'company') for the year ended 31 March 2021 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 FRS 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 2021 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

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

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

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

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

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

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

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

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IMPROVEMENT SERVICE COMPANY

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £	2020 £
Income		9,444,953	9,682,349
Administrative expenses		(9,884,953)	(10,326,349)
Operating deficit	**4**	(440,000)	(644,000)
Interest receivable and similar income	**7**	17,617	11,558
Interest payable and similar expenses	**8**	(19,000)	(65,000)
Deficit for the financial year		(441,383)	(697,442)
Other comprehensive income			
Actuarial (loss)/gain on defined benefit pension schemes		(6,148,000)	2,389,000
Total comprehensive income for the year		(6,589,383)	1,691,558

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 2021

	Notes	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Tangible assets	**9**		27,670		38,425
Current assets					
Debtors	**11**	1,100,409		326,152	
Investments	**12**	1,500,000		1,500,000	
Cash at bank and in hand		4,570,209		3,549,057	
		7,170,618		5,375,209	
Creditors: amounts falling due within one year	**13**	(6,503,668)		(4,736,631)	
Net current assets			666,950		638,578
Total assets less current liabilities			694,620		677,003
Provisions for liabilities					
Defined benefit pension liability	**14**	7,178,000		571,000	
			(7,178,000)		(571,000)
Net (liabilities)/assets			(6,483,380)		106,003
Reserves					
Income and expenditure account	**16**		(6,483,380)		106,003
Members' funds			(6,483,380)		106,003

The financial statements were approved by the board of directors and authorised for issue on 30 September 2021 and are signed on its behalf by:

Councillor A Evison
Director

Company Registration No. SC287978

IMPROVEMENT SERVICE COMPANY

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2021

	Pension reserves £	Other reserves £	Total £
Balance at 1 April 2019	(2,251,000)	665,445	(1,585,555)
Year ended 31 March 2020:			
Loss for the year	(709,000)	11,558	(697,442)
Other comprehensive income:			
Actuarial gains on defined benefit plans	2,389,000	-	2,389,000
Total comprehensive income for the year	1,680,000	11,558	1,691,558
Balance at 31 March 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)

IMPROVEMENT SERVICE COMPANY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £	2021 £	2020 £	2020 £
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	**19**		1,014,110		(209,360)
Investing activities					
Purchase of tangible fixed assets		(10,575)		(1,442)	
Proceeds on disposal of investments		-		(1,500,000)	
Interest received		17,617		11,558	
Net cash generated from/(used in) investing activities			7,042		(1,489,884)
Net increase/(decrease) in cash and cash equivalents			1,021,152		(1,699,244)
Cash and cash equivalents at beginning of year			3,549,057		5,248,301
Cash and cash equivalents at end of year			4,570,209		3,549,057

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1 Accounting policies

Company information

The principal activity of the company in the year under review was that of supporting Councils and their partners to improve and deliver high quality, efficient local services by providing improvement support and a range of products and services.

The Company is a United Kingdom private company limited by guarantee. It is both incorporated and domiciled in Scotland. The address of its registered office. i. 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 2021.

1.1 Accounting convention

These financial statements are prepared under historical cost convention as modified by the valuation of pension assets and liabilities and in accordance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland and the Companies Act 2006. The principal accounting policies are summarised below and have been applied consistently through the current and preceding year, unless otherwise stated.

The preparation of financial statements in compliance with FRS 102 required the use of certain critical accounting estimates. It also required management to exercise judgment in applying the company's accounting policies (see note 2).

The following principal accounting policies have been applied in the preparation of these financial statements. These policies have been consistently applied to the years presented, unless otherwise stated.

1.2 Going concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the company can continue in operational existence for the foreseeable future.

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

1 Accounting policies **(Continued)**

1.3 Income and expenditure

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied.

- The amount of revenue can be measured reliably;
- It is probable that the company will receive the consideration due under the contract;
- The stage of completion of the contract at the end of the reporting period can be measured reliably; and
- The costs incurred and the costs to complete the contract can be measured reliably.

Government grants

Grants are accounted under the accruals model permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Statement of Comprehensive Income at the same rate as the depreciation of the assets to which the grant relates. The deferred element of the grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

Interest Income

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

1.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Fixtures and fittings	3 - 10 years straight line

The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

1 Accounting policies **(Continued)**

1.5 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

1 Accounting policies **(Continued)**

1.6 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction. Like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

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

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, of when the company has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation, or expiry.

Debtors

Short term debtors are measured at transaction price, less any impairment, loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less impairment.

Creditors

Short-term creditors are measured at the transaction price, Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1 Accounting policies **(Continued)**

Other financial assets

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

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

Other financial liabilities

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

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

Derecognition of financial liabilities

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

1.7 Taxation

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

1 Accounting policies **(Continued)**

1.8 Retirement benefits

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

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

The cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations, being carried out at each reporting date. Actuarial gains and losses arising from experience adjustments and changes in assumptions are recognised immediately in the Statement of Comprehensive Income. All costs related to the defined benefit scheme are recognised in the Statement of Comprehensive income.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as reduced by the fair value of plain assets. Any asset resulting from the calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

1.9 Leases

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

2 Judgements and key sources of estimation uncertainty

The preparation of financial statements in compliance with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company’s accounting policies.

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

Depreciation – accounting estimation applied to useful life of assets.

The rates used are deemed to be appropriate for the individual class of assets.

Defined benefit pension and other post-employment benefits.

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

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

3 Turnover

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

	2021 £	2020 £
Core management	1,655,607	1,673,498
Customer first	3,822,822	3,720,239
Commercial	501,445	290,076
Other specific grants	1,791,879	2,449,920
Partnership funding	1,673,200	1,548,616
	9,444,953	9,682,349

4 Operating Loss

Operating deficit for the year is stated after charging:	2021 £	2020 £
Fees payable to the company's auditor for the audit of the company's financial statements	7,549	12,500
Depreciation of owned tangible fixed assets	21,330	24,590
Operating lease charges	68,317	68,027

5 Employees

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

	2021 Number	2020 Number
Core	8	8
Transformation Performance and Improvement	27	28
Local Government Digital Office	13	11
Digital Public Services	9	9
Data and Intellegence	17	16
Other	8	6
Total	82	78

5 Employees (Continued)

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	3,641,856	3,525,343
Social security costs	408,371	382,348
Pension costs	1,111,789	1,272,779
	5,162,016	5,180,470

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 £527,299, (2020: £535,731)

6 Directors' remuneration

	2021 £	2020 £
Remuneration for qualifying services	115,114	104,605
Company pension contributions to defined contribution schemes	21,642	19,666
	136,756	124,271

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

7 Interest receivable and similar income

	2021 £	2020 £
Interest income		
Interest on bank deposits	17,617	11,558

Investment income includes the following:

Interest on financial assets not measured at fair value through surplus or deficit	17,617	11,558

8 Interest payable and similar expenses

	2021	2020
	£	£
Other finance costs:		
Net interest on the net defined benefit liability	19,000	65,000

9 Tangible fixed assets

	Fixtures and fittings
	£
Cost	
At 1 April 2020	158,597
Additions	10,575
At 31 March 2021	169,172
Depreciation and impairment	
At 1 April 2020	120,172
Depreciation charged in the year	21,330
At 31 March 2021	141,502
Carrying amount	
At 31 March 2021	27,670
At 31 March 2020	38,425

10 Financial instruments

	2021	2020
	£	£
Carrying amount of financial assets		
Instruments measured at fair value through surplus or deficit	1,500,000	1,500,000

11 Debtors

	2021	2020
Amounts falling due within one year:	£	£
Other debtors	1,100,409	326,152

12 Current asset investments

	2021	2020
	£	£
Fixed term deposit with Dundee City Council	1,500,000	1,500,000

13 Creditors: amounts falling due within one year

	2021	2020
	£	£
Trade creditors	-	1,815,726
Taxation and social security	183,324	63,869
Other creditors	501,747	1,970
Accruals and deferred income	5,818,597	2,855,066
	6,503,668	4,736,631

14 Retirement benefit schemes

	2021	2020
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	21,642	19,666

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 2017. Following this valuation, minimum employer's contribution rates were set at 17.2% plus £27,200 for the years ending 31 March 2019, 2020 and 2021 respectively.

	2021	2020
Key assumptions	%	%
Discount rate	2.05	2.45
Expected rate of increase of pensions in payment	2.80	1.80
Expected rate of salary increases	3.30	2.00

	2021	2020
Mortality assumptions		
Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI2016 model with an allowance for smoothing of recent mortality experience and long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:	Years	Years
Current pensioners		
- Males	20.5	21.7
- Females	23.3	24.3
Future pensioners		
- Males	21.9	24.7
- Females	25.2	27.5

14 Retirement benefit schemes **(Continued)**

Amounts recognised in the profit and loss account	**2021 £**	**2020 £**
Current service cost	1,083,000	1,243,000
Net interest on net defined benefit liability/(asset)	19,000	65,000
Total costs	1,102,000	1,308,000

Amounts taken to other comprehensive income	**2021 £**	**2020 £**
Actual return on scheme assets	5,776,000	(2,767,000)
Less: calculated interest element	372,000	378,000
Return on scheme assets excluding interest income	6,148,000	(2,389,000)

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

	2021 £	**2020 £**
Present value of defined benefit obligations	16,956,000	18,822,000
Fair value of plan assets	(9,778,000)	(18,251,000)
Deficit in scheme	7,178,000	571,000

Movements in the present value of defined benefit obligations	**2021 £**
Liabilities at 1 April 2020	15,422,000
Current service cost	1,083,000
Benefits paid	(206,000)
Contributions from scheme members	266,000
Interest cost	391,000
At 31 March 2021	16,956,000

The defined benefit obligations arise from plans funded as follows:	**2021 £**
Wholly unfunded obligations	-
Wholly or partly funded obligations	16,956,000
	16,956,000

14 Retirement benefit schemes **(Continued)**

Movements in the fair value of plan assets	**2021** **£**
Fair value of assets at 1 April 2020	14,851,000
Interest income	372,000
Return on plan assets (excluding amounts included in net interest)	(6,148,000)
Benefits paid	(206,000)
Contributions by the employer	643,000
Contributions by scheme members	266,000
At 31 March 2021	9,778,000

The actual return on plan assets was £5,776,000 (2020 - £2,767,000).

Fair value of plan assets at the reporting period end	**2021** **£**	**2020** **£**
Equities	7,235,720	13,688,250
Bonds	1,173,360	2,007,610
Property	684,460	1,460,080
Cash	684,460	1,095,060
	9,778,000	18,251,000

The estimated employer contributions for the year to 31 March 2022 are £624,000.

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.

Designated reserve also include £494,620 as a change fund.

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:

	2021	2020
	£	£
Within one year	28,189	28,189

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
Sarah Gadsden	Improvement Service Company	Chief Executive
Aubrey Fawcett	Inverclyde Council	Chief Executive
Steven Grimmond	Fife Council	Chief Executive
Angela Scott	Aberdeen City Council	Chief Executive
Joyce White	West Dunbartonshire Council	Chief Executive
Angela Leitch	East Lothian Council	Chief Executive
Lorraine McMillan	East Renfrewshire Council	Chief Executive
Keith Winter	Fife Council	Executive Director
Cllr Alison Evison	Aberdeenshire Council / The Convention of Scottish Local Authorities	Councillor / President
Cllr Malcolm Bell	Shetland Islands Council	Councillor
Cllr Neil Benny	Stirling Council	Councillor
Cllr Graham Houston	Stirling Council	Councillor

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.

18 Related party transactions **(Continued)**

The appointment for each director was made by the following nominating bodies:

Director	**Nominating body**
Sarah Gadsden	Society of Local Authority Chief Executives (SOLACE)
Aubrey Fawcett	Society of Local Authority Chief Executives (SOLACE)
Steven Grimmond	Society of Local Authority Chief Executives (SOLACE)
Angela Scott	Society of Local Authority Chief Executives (SOLACE)
Joyce White	Society of Local Authority Chief Executives (SOLACE)
Angela Leitch	Society of Local Authority Chief Executives (SOLACE)
Lorraine McMillan	Society of Local Authority Chief Executives (SOLACE)
Keith Winter	Society of Local Authority Chief Executives (SOLACE)
Cllr Alison Evison	The Convention of Scottish Local Authorities (COSLA)
Cllr Malcolm Bell	The Convention of Scottish Local Authorities (COSLA)
Cllr Neil Benny	The Convention of Scottish Local Authorities (COSLA)
Cllr Graham Houston	The Convention of Scottish Local Authorities (COSLA)

Funding is received from the Scottish Government. For the year under review total funding receivable was £7,153,324 (2020: £7,575,412). Payments totalling £190,000 (2020: £196,325) were made to the Scottish Government.

Income included within the total funding receivable figure is £1,655,606 (2020: £1,667,179) which relates to core income receivable from the Scottish Government.

During the year £184,165 (2020: £105,660) was payable to West Lothian Council in relation to transaction processing and income received of £31,400 (2020: £31,697). £117,326 was owed to West Lothian Council (2020: £1,024,536) at the balance sheet date.

Other related party transactions include:

Public Body	**Payable to**		**Receivable from**	
	£		**£**	
	2020/21	**2019/20**	**2020/21**	**2019/20**
Aberdeen City Council	-	8,530	66,595	35,292
Aberdeenshire Council	-	16,515	-	14,152
East Lothian Council	39,388	4,577	166,070	104,699
Fife Council	-	21,110	45,800	49,446
Inverclyde Council	-	45,229	21,714	22,649
Shetland Islands Council	1,960	-	23,600	14,747
Stirling Council	4,761	198	23,820	22,926
West Dunbartonshire Council	4,145	-	24,105	23,712
East Renfrewshire Council	5,131	-	22,550	-

Other transactions with related parties include £35,475 (2020: £687) of income receivable from, and £Nil (2020: £31,442) of expenses payable to the Convention of Scottish Local Authorities (COSLA). £Nil (2020: £Nil) is included in creditors at the balance sheet date.

19 Cash generated from/(absorbed by) operations

	2021	2020
	£	£
Deficit for the year after tax	(441,383)	(697,442)
Adjustments for:		
Finance costs	19,000	65,000
Investment income	(17,617)	(11,558)
Depreciation and impairment of tangible fixed assets	21,330	24,590
Pension scheme non-cash movement	440,000	644,000
Movements in working capital:		
(Increase)/decrease in debtors	(774,257)	122,598
Increase/(decrease) in creditors	1,767,037	(356,548)
Cash generated from/(absorbed by) operations	1,014,110	(209,360)

20 Analysis of changes in net funds

	1 April 2020	Cash flows	31 March 2021
	£	£	£
Cash at bank and in hand	3,549,057	1,021,152	4,570,209

IMPROVEMENT SERVICE COMPANY

MANAGEMENT INFORMATION

FOR THE YEAR ENDED 31 MARCH 2021

IMPROVEMENT SERVICE COMPANY

DETAILED TRADING AND INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2021

		2021		2020
	£	£	£	£
Income				
Core Management		1,655,607		1,673,498
Customer First		3,822,822		3,720,239
Commercial		501,445		290,076
Other specific grants		1,791,879		2,449,920
Partnership funding		1,673,200		1,548,616
		9,444,953		9,682,349
Establishment				
Rent re operating leases	68,317		68,027	
Rates	30,606		32,310	
Cleaning	5,141		15,561	
Light and heat	8,397		12,097	
Repairs and maintenance	4,373		2,806	
Insurances	24,052		14,552	
		(140,886)		(145,353)

DETAILED TRADING AND INCOME AND EXPENDITURE ACCOUNT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

		2021		2020
	£	£	£	£
Administrative expenses				
Wages and salaries	3,523,566		3,350,462	
Social security costs	408,371		382,348	
Private contractors	1,925,925		687,783	
Staff recruitment costs	23,523		50,376	
Staff training	26,998		43,593	
Management training (non employee)	-		27,674	
Staff pension costs defined benefit (allocation)	650,147		609,113	
Lothain Pension Fund adjustment	440,000		644,000	
Other staff costs	3,176		70,276	
Directors' remuneration	115,114		104,605	
Directors' pension costs	21,642		19,666	
Computer consumables	105,325		199,131	
Travelling expenses	-		8,788	
External room hire	-		8,561	
Secondees	430,073		454,191	
Subscriptions	9,927		29,270	
Legal and professional fees	35,457		15,792	
Consultancy fees	235		98,897	
Accountancy	-		13,750	
Audit fees	7,549		12,500	
Customer First Programme costs	-		1,552,448	
Customer First grant payments	-		1,210,000	
Sponsorship	-		11,000	
Bank charges	2,534		3,472	
Irrecoverable VAT	171,046		204,899	
Release of deferred government grant	(21,330)		(24,590)	
Amounts paid to other Public Sector organisations	1,784,207		200,732	
Printing, postage and stationery	26,808		4,628	
Advertising	1,480		7,368	
Telephone	15,110		13,497	
Corporate events	7,633		77,427	
Catering	-		33,749	
Sundry expenses	8,221		31,000	
Depreciation	21,330		24,590	
		(9,744,067)		(10,180,996)
Operating deficit		(440,000)		(644,000)
Interest receivable and similar income				
Bank interest received	17,617		11,558	
		17,617		11,558

DETAILED TRADING AND INCOME AND EXPENDITURE ACCOUNT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

		2021		2020
	£	£	£	£
Interest payable and similar expenses				
Net interest on defined benefit liability		(19,000)		(65,000)
Deficit before taxation	4.67%	(441,383)	7.20%	(697,442)