

REPORT TO : FINANCE COMMITTEE – 13 NOVEMBER 2000

REPORT ON : DUNDEE CITY COUNCIL DIRECT LABOUR ORGANISATION ANNUAL
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2000

REPORT BY : DIRECTOR OF FINANCE

REPORT NO : 780-2000



DUNDEE CITY COUNCIL

DIRECT LABOUR ORGANISATION

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2000

DUNDEE CITY COUNCIL
DIRECT LABOUR ORGANISATION'S STATEMENT OF ACCOUNTS

CONTENTS

	PAGE
Foreword	2
Annual Report 1999/2000	3
Statement of Responsibilities for the Statement of Accounts	6
Report on Direct Labour Organisation's Accounts by Director of Finance	7
Accounting Policies	8
Revenue Account, Appropriation Account and Reserve Fund for the Year Ended 31 March 2000	9
Financial Objectives Adjustment Statement	10
Balance Sheet as at 31 March 2000	11
Cash Flow Statement	12
Notes to Cash Flow Statement	13
Notes to Accounts	14
Information Requirements of the Direct Labour Organisations (Content of Annual Reports) (Scotland) Directions 1982	15
Auditor's Opinion (Prescribed Financial Objectives)	16

DUNDEE CITY COUNCIL
DIRECT LABOUR ORGANISATION

FOREWORD

The intention of the Local Government Planning and Land Act 1980 is to ensure that Direct Labour Organisations operate profitably in competition with private Contractors for construction and maintenance work carried out by Local Authorities.

Construction and maintenance work is defined as building and engineering work involved in the construction, improvement, maintenance and repair of buildings and other structures; the laying out, construction, improvement, maintenance and repair of highways and other land; and the gritting and snow clearance from highways. It excludes work in parks, gardens, playing fields, open spaces and allotments, other than work on buildings and structures and the routine maintenance of any specific building and structure by a person employed mainly for that purpose.

The Act classifies Direct Labour Work as:-

- 1 Works Contracts which primarily concern work done by an Authority on behalf of other Public Bodies excluding Agency Work;
- 2 Functional Work which is work an Authority undertakes to fulfil its own obligations and responsibilities including Agency Work.

To ensure that private Contractors obtain a greater proportion of Local Authority work the Secretary of State for Scotland has directed Scottish Authorities to put the following work out to competitive tender during 1999/2000:-

- a General highways work estimated to cost more than £25,000;
- b General highways work estimated to cost £25,000 or less exceeding 40% of the aggregate value of all such jobs contracts and all contractual highway work undertaken by the authority in the previous financial year;
- c General water and sewerage work estimated to cost more than £50,000;
- d Works of construction estimated to cost more than £500,000;
- e Works of maintenance which is exempted during the period under review because of Local Government Legislation.

Provision is also made for exemption from competition of emergency work, highways gritting and snow clearing and certain extension contracts.

Dundee City Council does not undertake work in categories (a), (b) and (c) above, therefore, the following report only relates to category (d) works of construction and category (e) works of maintenance.

The Local Government Planning and Land Act 1980 (Competition) (Scotland) Regulations 1995 had the effect of removing the requirement on local authorities to seek competitive tenders under the CCT rules for work falling due within the exempt period, due mainly to the additional workload caused by local government reorganisation. The Local Government Planning and Land Act 1980 (Competition) (Scotland) Amendment Regulations 1997 extended the moratorium on CCT and is designed to allow time to develop an alternative Best Value system. The exemption does not apply to works of construction estimated to cost more than £500,000.

DUNDEE CITY COUNCIL
DIRECT LABOUR ORGANISATION
ANNUAL REPORT 1999/2000

1 Service Provided

The Direct Labour Organisation is a quality assured organisation geared both to build new houses and other public buildings and to maintain, repair and modernise them. It has the technical expertise and capability to undertake any type of building construction work which may be required by the City Council. It has its own joiners' workshop offering a comprehensive purpose made joinery service for all aspects of new construction, modernisation and maintenance work. The Department also operates and services its own plant and fleet of vehicles although plant and transport is also hired when it is considered necessary.

The Department provides a 24 hour emergency service and has the capability to cover potential local disasters such as extensive flooding, explosions and rail accidents.

The efficient emergency service is an integral part of the Council's maintenance programme and this category of repairs includes blocked house drains, blocked WC's and making safe burst back boilers, burst pipes/leaks, securing premises and so on.

2 Objectives

The Principal Objectives of the Department are:-

- a To provide an economic, high quality and efficient building service to the Local Authority and its residents;
- b To plan and carry out work in conjunction with the workforce and to be accountable to the electorate of the Local Authority;
- c To develop and maintain a stable workforce, able to provide a dependable service to our customers with a continuity of service from the construction through to post-construction maintenance;
- d To be a model employer in the building industry, providing approved wage rates, decent holidays, pensions and sickness benefits, eliminating labour only sub-contracting and working to stringent health and safety policies and procedures;
- e To contribute to the future of the local building industry by employing a generous ratio of apprentices and to ensure adequate training at all levels for all skills.

3 Advantage to the City Council and to the Public of Maintaining a Direct Labour Organisation

It should be appreciated that there are considerable advantages to an Authority in maintaining a Direct Labour Organisation, namely:-

- a In carrying out the Local Authority's own functional work there is every reason to ensure a high standard of workmanship is attained with the use of quality materials;
- b As a constituent part of the Local Authority the Direct Labour Organisation is in a position to appreciate the Authority's needs and requirements. In this way a good working relationship is developed with the service departments;
- c The Direct Labour Organisation can develop a specialist knowledge of the Local Authority's physical resources, eg Housing Schemes, Schools, Libraries and other public buildings and can carry appropriate stocks of materials which a Contractor would find difficult or impossible to obtain;

- d The Direct Labour Organisation resources are directly available at short notice for emergency and other priority situations;
- e Supervision of Direct Labour employees is easier than the supervision of a number of contractors on scattered jobs;
- f The Direct Labour Organisation can be used in preference to Contractors on Cost Plus Contracts which are difficult to schedule or on Daywork Rates which can turn out to be very expensive;
- g The Direct Labour Organisation is available under all conditions including an expanding economy. When Contractors have a great deal of work they may be unwilling to tender or will only be prepared to submit inflated prices;
- h The existence of a Direct Labour Organisation discourages overcharging by Contractors and may help to discourage price rings;
- i The City Council's Council Tax Payers receive considerable financial benefits from the contributions made to the General Fund and also from the lower prices realised on competitive tenders.

4 **Operating Constraints on Direct Labour Organisations which do not apply to Private Industry**

Major restrictions to the operation of a Direct Labour Organisation are as follows:-

- a The Standing Orders and Statutory Obligations and Liabilities of Local Authorities impose higher Administration Costs which do not always apply in private industry;
- b The requirement that each separate Direct Labour Organisation reporting activity must achieve the objectives with no cross subsidisation between profitable and unprofitable elements of their organisation;
- c Territorial restrictions on Tendering. The Direct Labour Organisation cannot tender for Capital Projects required by other Authorities;
- d Model employer practices in the form of apprentice training, leave and sickness benefits, industrial injury bonus payments, etc;
- e The necessity to achieve financial objectives which are not required by private industry.

5 **Manpower and Conditions of Employment**

The total full time equivalent workforce comprises:-

	1998/99 Actual	1999/2000 Budget	1999/2000 Actual
Salaried	84	84	83
Manual	<u>397</u>	<u>379</u>	<u>381</u>
	<u>481</u>	<u>463</u>	<u>464</u>

The Direct Labour Organisation operates the National Joint Council conditions of service which provides employees with full holiday entitlement, superannuation and sickness benefits.

Joint consultative committees operate to bring together management and shop-stewards to discuss matters relating to industrial relations, productivity and working arrangements. The Department maintains a high standard of safe working conditions and operates a Joint Safety Committee involving consultation between management, unions and safety representatives.

Training (both job and safety) is ongoing to ensure compliance with all aspects of the Health and Safety at Work Act. The Department maintains a responsible policy of apprentice employment including block and day release training at Educational Establishments. It is the intent of the Department's management to continue the policy, of an annual intake of apprentices to sustain an acceptable apprentice/tradesmen ratio.

6 **Statistical Information**

a Repairs and Maintenance

During the year some 195 employees were engaged in repairs and maintenance work on Housing Stock and undertook an average 2,000 jobs per week, including approximately 225 out-of-hours emergency jobs per week.

b Contracts

An average of 105 employees were engaged on contract work. During the year work was carried out on some 35 major contracts with tender values varying from £50,000 to £478,765. In addition, work was carried out on 65 minor contracts with values between £10,000 and £50,000.

c Property Maintenance

During the year an average of 65 employees were engaged in repair and maintenance work on council properties including schools and undertook an average 400 repairs per week. The section were also engaged on external fabric improvement work to some 5,000 houses.

7 **Trading Review**

The amount of work available generally in the Construction and Civil Engineering Industry is still severely limited and keen pricing supported by efficient operating procedures are required to survive in this competitive market. Restrictions placed on Local Authority capital spending by Central Government continues to limit the funds available to the Council for construction programmes. Planned maintenance now takes up a major part of the Council's spending on its housing stock and the Department has been very successful in this area.

The tendering situation within the restricted market the Direct Labour Organisation competes has continued to be exceptionally tight during the last year with real value prices again remaining fairly static compared to the previous year. This has placed continued pressure on the Department to win contracts and maintain manning levels. The Management of the Department recognising the need to respond to change and secure employment levels within the Department have a commitment to explore methods of extending available markets.

8 **Conclusion**

It is hoped that this report has highlighted the advantages of maintaining a Direct Labour Organisation, some of the unique difficulties experienced by the Organisation, and how important it is for the Council to retain its services as part of the Local Authority's structure. As has been mentioned in previous reports it is worth noting that in many Local Government services it is not just a question of "quantity" and "cost" but, more importantly, a question of "quality" and "service". Whilst this is always the Department's objective, this has become exceedingly difficult to achieve due to the increased areas of work for which the Department has to compete and is required to prove "value for money" at all times.

RP Jackson MIMBA
Director of Dundee Contract Services
21 June 2000

David K Dorward CPFA
Director of Finance
21 June 2000

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance:
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Director of Finance's Responsibilities

The Director of Finance is responsible for the preparation of the Direct Labour Organisation's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice'), is required to present fairly the financial position of the organisation at the accounting date and its income and expenditure for the year ended 31 MARCH 2000.

In preparing this statement of accounts, the Director of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Director of Finance has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT ON DIRECT LABOUR ORGANISATION'S ACCOUNTS

1 **Accounting Requirements of Legislation**

The Local Government Planning and Land Act 1980, which came into operation on 1 April 1982, brought fundamental changes to the accounting requirements of Local Authority Direct Labour Accounts. In terms of Section 13 of the Act, as amended by the Local Government Act 1988, Local Authorities who undertake construction and maintenance work must produce separate Revenue Accounts for each description of work unless exemptions apply.

The following Revenue Accounts are produced by the City Council:-

- a Works of Maintenance
- b Construction Work below £50,000
- c Construction Work above £50,000

The Secretary of State has directed that it is necessary for Direct Labour Organisations to break-even after taking into account capital charges which includes a capital financing charge of 6% of the value of fixed assets used in the provision of the service. However, if tenders for work were invited on the basis that an authority would make an asset available free of charge to whoever might be awarded the work, that asset need not be regarded as capital employed for the purposes of calculating the capital financing charge.

The Secretary of State has indicated that at present he does not intend to exercise his power as to the form and content of the Revenue Accounts but he has endorsed the Accounting Code of Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and expects Authorities to have due regard to the advice it contains.

2 **Non-acceptance of the Lowest Tender**

During 1999/2000 the City Council awarded three contracts to the Direct Labour Organisation, details of which can be found on page fifteen, where the Direct Labour Organisation was not the lowest tenderer. The lowest bids totalled £2,243 (0.86%) below the Direct Labour Organisation's aggregate price for the three contracts.

It was concluded that the savings and contributions the City Council would receive from its own Direct Labour Organisation by way of overhead recovery, profits and lower administration costs would far exceed the sum of £2,243. The City Council also took into consideration the need to provide continuity of employment for its permanent employees and the cost of redundancy payments that would have been incurred if the contract had not been awarded to the Direct Labour Organisation.

3 **Review of Accounts and Financial Objectives**

The adjusted Revenue Accounts show an overall surplus of £407,090 which represents 2.33% of total income and exceeds the break-even requirements of the legislation.

The Balance Sheet shows that the Department is in a good financial position. The total working capital amounts to £114,553. The Reserve Fund stands at £114,553 and is primarily required to meet any losses in future years and to reduce the day to day borrowing requirements of the Department.

**David K Dorward, CPFA
Director of Finance
Dundee City Council
21 June 2000**

ACCOUNTING POLICIES

General

The Accounting Policies adopted by the Authority are those detailed in the Accounting Code of Practice for Compulsory Competition issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The accounts have been prepared in accordance with the basic accounting concepts of matching, consistency, prudence, materiality and substance over form.

Provision for Future Losses

In accordance with the Prudence Concept, a provision has been created in respect of incomplete contracts for which losses are expected to arise after the financial year end.

The provision for each loss making contract represents the value of irrecoverable costs which include outstanding claims, remedial and maintenance expenses.

Stocks and Work in Progress

Stocks are stated in the Accounts at cost and work in progress represents the value of work unbilled at 31 March 2000.

Exceptional Items

Exceptional items derive from events or transactions outwith the ordinary activities of the Direct Labour Organisation which are both material and not expected to recur frequently or regularly.

Treatment of Profits/Losses

An element of profit is included in each tender where possible and any profit made at the end of the year is either appropriated to Reserves for the Direct Labour Organisation or transferred to the City Council's General Fund. In the event of a loss arising, it would be met first from any available Direct Labour Organisation's Reserves and secondly by a contribution from the City Council's General Fund.

Central Support Services

These expenses are charged to the Direct Labour Organisation on the same basis as other departmental accounts. Charges have been made in line with the trading agreement between Central Support Departments and Service Departments.

DIRECT LABOUR ORGANISATION
REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2000

Previous Year		Maintenance Work	Construction Work		Total
£		£	Below £50,000	Above £50,000	£
£		£	£	£	£
17,499,062	1 Income	11,923,874	305,092	5,224,853	17,453,819
<u>17,388,083</u>	2 Expenditure	<u>11,682,870</u>	<u>278,939</u>	<u>5,091,159</u>	<u>17,052,968</u>
<u>110,979</u>	Surplus/(Deficit) for Year	<u>241,004</u>	<u>26,153</u>	<u>133,694</u>	<u>400,851</u>

APPROPRIATION ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2000

Previous Year		£
£		£
-	Balance at 1 April 1999	-
<u>110,979</u>	Surplus for the Year as per Revenue Account	<u>400,851</u>
110,979		400,851
<u>110,979</u>	<u>Less</u> Contribution to General Fund	<u>400,851</u>
<u>-</u>	Balance carried forward at 31 March 2000	<u>-</u>

RESERVE FUND
FOR THE YEAR ENDED 31 MARCH 2000

Previous Year		£
£		£
102,053	Balance at 1 April 1999	108,891
<u>6,838</u>	<u>Add</u> Interest Received	<u>5,662</u>
<u>108,891</u>	Balance carried forward at 31 March 2000	<u>114,553</u>

DIRECT LABOUR ORGANISATION

**MEMORANDUM ACCOUNT -
FINANCIAL OBJECTIVES ADJUSTMENT STATEMENT
FOR YEAR THE ENDED 31 MARCH 2000**

Previous Year		Maintenance Work	Construction Work		Total
£		£	Below £50,000 £	Above £50,000 £	£
110,979	Surplus per Revenue Account	241,004	26,153	133,694	400,851
<u>6,300</u>	<u>Add</u> Pensions (Prior to 1.4.82)	<u>5,277</u>	<u>65</u>	<u>897</u>	<u>6,239</u>
<u>117,279</u>	Adjusted Surplus	<u>246,281</u>	<u>26,218</u>	<u>134,591</u>	<u>407,090</u>

DIRECT LABOUR ORGANISATION
BALANCE SHEET AS AT 31 MARCH 2000

Previous Year £		£	£
	Fixed Assets		
798,905	Land and Buildings		819,075
<u>494,182</u>	Vehicles, Plant and Equipment		<u>508,002</u>
1,293,087			1,327,077
	Current Assets		
269,453	Stocks	236,005	
250,370	Work in Progress	146,461	
60,288	Trade Debtors	10,773	
300	Advance for Petty Outlays	300	
<u>296,842</u>	Due by City Council's Loans Fund	<u>762,480</u>	
<u>877,253</u>		<u>1,156,019</u>	
	Less		
	Creditors - Amounts falling due within one year		
656,593	Trade Creditors	915,576	
57,769	Other Taxes and Social Security Costs	-	
54,000	Provision for Losses	90,460	
<u>-</u>	Other Creditors	<u>35,430</u>	
<u>768,362</u>		<u>1,041,466</u>	
<u>108,891</u>	NET CURRENT ASSETS		<u>114,553</u>
<u>1,401,978</u>	NET ASSETS		<u>1,441,630</u>
	Financed by:-		
1,180,286	Fixed Assets Restatement Reserve		1,179,554
112,801	Capital Financing Reserve		147,523
<u>108,891</u>	Revenue Reserve		<u>114,553</u>
<u>1,401,978</u>			<u>1,441,630</u>

David K Dorward, CPFA
Director of Finance
Dundee City Council
21 June 2000

DIRECT LABOUR ORGANISATION
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2000

Previous Year £		£	£	£
	Revenue Activities:			
	Expenditure			
10,119,658	Cash paid to and on behalf of employees			9,376,233
7,572,935	Other Operating Costs			7,146,389
<u>110,979</u>	Contribution to General Fund			<u>400,851</u>
17,803,572				16,923,473
	Income			
<u>18,247,621</u>	Cash Received for Goods and Services			<u>17,607,243</u>
444,049	Net Cash Inflow/(Outflow) from Revenue Activities			683,770
	Capital Activities:			
	Expenditure			
-	Purchase of Fixed Assets	164,555		
<u>251,602</u>	Other Capital Cash Payments	<u>223,795</u>		
251,602			388,350	
	Income			
-	Sale of Fixed Assets	24,275		
6,838	Interest on Reserve Fund	5,662		
<u>-</u>	Other Capital Cash Receipts	<u>140,281</u>		
<u>6,838</u>			<u>170,218</u>	
<u>(244,764)</u>	Net Cash Inflow/(Outflow) from Capital Activities			<u>(218,132)</u>
<u>199,285</u>	Net Cash Inflow/(Outflow) Before Financing			<u>465,638</u>
	Financing			
	Cash Outflow			
<u>199,285</u>	Repayment of Amounts Borrowed			<u>465,638</u>
<u>199,285</u>	(Increase)/Decrease in Cash and Cash Equivalents			<u>465,638</u>

NOTES TO CASH FLOW STATEMENT

1 Reconciliation of Revenue Surplus and Net Cash Flow from Revenue Activities

	£	£
Surplus per Revenue Account		400,851
<u>Add</u> Cash Outflow from Capital Activities	218,132	
Increase/(Decrease) in Reserve Fund	5,662	
(Increase)/Decrease in Stocks	33,448	
(Increase)/Decrease in Debtors and Work in Progress	153,424	
Increase/(Decrease) in Creditors	273,104	
Contribution to General Fund	<u>(400,851)</u>	
		<u>282,919</u>
Net Cash Inflow/(Outflow) from Revenue Activities		<u>683,770</u>

2 Reconciliation of Financing Section with Loans Fund Account

	£
Due by Loans Fund at 1 April 1999	296,842
<u>Add</u> Cash Advances	<u>300</u>
	297,142
(Increase)/Decrease in Cash and Cash Equivalents	<u>465,638</u>
	762,780
<u>Less</u> Cash Advances	<u>300</u>
Due by Loans Fund at 31 March 2000	<u>762,480</u>

NOTES TO REVENUE ACCOUNT AND BALANCE SHEET

- 1 The income has been reduced to take account of anticipated future losses on long term contracts in progress at the end of the financial year.
- 2 The charge for Central Support Services included in the expenditure amounted to £194,669.
- 3 Exceptional costs of £10,030 were incurred during the period under review due to employees accepting the offer of early retirement from their employment with the City Council.
- 4 The sum of £400,851 was transferred to the General Fund during the period under review.
- 5 Fixed Assets have been included in the Balance Sheet in accordance with the new system of Capital Accounting as recommended in the Code of Practice on Local Authority Accounting in Great Britain 1999 which was issued jointly by the Chartered Institute of Public Finance and Accountancy and the Local Authority (Scotland) Accounts Advisory Committee.
- 6 The Direct Labour Organisation's property assets were re-valued as at 1 April 1999 thereby fulfilling the requirement to re-value assets at intervals of not more than 5 years. The quinquennial revaluation exercise was carried out by a team of staff from the Council's Economic Development Department led by Mr John Rough ARICS and conducted in accordance with The Royal Institution of Chartered Surveyors Appraisal and valuation Manual (the "Red Book"). Each valuer was either a Fellow or Professional Associate of the Royal Institution of Chartered Surveyors (RICS).

NOTES TO FINANCIAL OBJECTIVES

ADJUSTMENT STATEMENT

The pensions added back in the calculation relates to those employees who retired before the Act came into force.

This is consistent with the view that Direct Labour Organisations should start with a "clean slate" on 1 April 1982.

**INFORMATION REQUIREMENTS OF THE DIRECT LABOUR ORGANISATIONS
(CONTENT OF ANNUAL REPORTS) (SCOTLAND) DIRECTIONS 1982**

YEAR 1999/2000

	NEW CONSTRUCTION				MAINTENANCE		TOTAL	
	ABOVE £50,000		BELOW £50,000					
	£	%	£	%	£	%	£	%
1 Analysis of Work Undertaken by Direct Labour Organisation Total estimated Cost of Work Undertaken by the Direct Labour Organisation for Dundee City Council and for other Authorities under Agency Agreements (ie Functional Work)	6,572,595	100.0	447,155	100.0	13,666,008	99.7	20,685,758	99.8
Total Value of Works other than Works under Agency Agreements undertaken by the Direct Labour Organisation for other Authorities (ie Works Contracts)					39,149	0.3	39,149	0.2
TOTAL VALUE OF ALL WORK UNDERTAKEN BY THE DIRECT LABOUR ORGANISATION	6,572,595	100.0	447,155	100.0	13,705,157	100.0	20,724,907	100.0
2 Analysis of Work carried out by Dundee City Council								
a Total value of work undertaken by the Direct Labour Organisation	6,572,595	24.3	447,155	38.5	13,705,157	87.4	20,724,907	47.2
b Total value of all Works placed with Outside Contractors by Dundee City Council	20,493,801	75.7	714,999	61.5	1,981,313	12.6	23,190,113	52.8
TOTAL VALUE OF ALL CONTRACTUAL WORK	27,066,396	100.0	1,162,154	100.0	15,686,470	100.0	43,915,020	100.0
3 Details of Jobs awarded to the Direct Labour Organisation where the Department did not submit the lowest Tender.								

Douglas & Angus 1st Dev (Cottages) – Window Replacement – Value of Tender - £133,102
Strathmore Street/Balmossie Cottages – Window Replacement – Value of Tender - £68,588
Mill O'Mains Primary School Covered Link – Value of Tender - £60,577

AUDITOR'S OPINION (PRESCRIBED FINANCIAL OBJECTIVES)

To the members of Dundee City Council and Scottish Ministers

As auditor, appointed under statute by the Accounts Commission for Scotland, we have considered the statements for the year ended 31 March 2000 on pages 9 and 10 of this report which relate respectively to the following categories of work and defined activities

- New construction under £50,000
- New construction above £50,000
- Maintenance

In our opinion the financial objective set by the Secretary of State has been met in each case.

Henderson Loggie
Chartered Accountants
Registered Auditors
Royal Exchange
Panmure Street
Dundee
DD1 1DZ

29 September 2000