

THE BUILDING SERVICES DIRECT LABOUR ORGANISATION

ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2001

Part III of the Local Government, Planning and Land Act 1980 requires all Local Authority DLOs over a prescribed size to prepare an annual report in the manner set out in the Direct Labour (Contents of Annual Reports) (Scotland) Directions 1982 and Scottish Office Circular.

The Direct Labour Organisation (DLO) carries out the majority of all maintenance on Council Houses, together with some maintenance to other Council-owned property, covering approximately 800 properties of very diverse character from town halls to public lavatories. In 1999/2000, the Moray Council owned around 7,250 Council houses. The work is mainly response or planned maintenance though some modernisation and improvement work is also undertaken, as is work for outside agencies such as Langstane Housing Association, Cornerstone Community Care and the War Veteran's Committee. The DLO provides a 24 Hour emergency callout system.

The DLO is constantly trying to win contracts for additional works thus increasing its turnover. Benefits from this are that the DLO can offer a greater diversity to the workforce, offer greater expertise to its customers and return more monies to the HRA from the additional profits made. The increase in turnover this year reflects the successes for the year to 31 March 2001.

The DLO seeks to provide a quality service and constantly strives to improve its operation by an innovative approach to problems, to give maximum customer satisfaction. It is very conscious of both its social and training responsibilities to the community and endeavours to employ the maximum number of trade apprentices within the limits of overall profitability. The DLO will continue to seek excellence in the provision of building maintenance services with customer satisfaction being its main priority.

The DLO is a member of various trade bodies such as CORGI, NICEIC and British Coal. These organisations monitor both training and quality of work. The DLO maintains good relationships with trade unions and the Construction Industry Training Board (CITB) and also with the local schools and further education centres. The DLO encourages high productivity and low absenteeism through its Local Productivity Agreement with the workforce and trade unions. The success of this Agreement can be seen in the profit generated by the DLO, permitting the Authority to utilise such monies for minimising rent increases to Council tenants.

The DLO made a profit during the year of £25,716 (after payment of profit share and refund of monies to Housing Revenue Account), as compared to the statutory requirement to break even after making a return of 6% of the value of assets used and 6% on the average value of stocks held.

The trading position of the Direct Labour Organisation can therefore be stated to be satisfactory.

Work Done by Direct Labour	£'000
• Competitive Tenders Invited	3,707
• Competitive Tenders Not Invited	<u>90</u>
	3,797
Work Done by Outside Contractors	<u>4,732</u>
Total Building Services Work	8,529
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INTRODUCTION TO FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 MARCH 2001

- (1) In terms of Section 13(1) of the Local Government, Planning and Land Act, 1980, and the CIPFA Code of Practice for Compulsory Competition, 1996, the Authority is required to publish an Annual Report detailing the financial performance of each defined activity as specified in the above Act:-

During the year ended 31 March 2001, the Authority only carried out work under the maintenance category.

- (2) A summary of the figures from the Accounts and associated financial statements are as follows:-

Turnover	£4,322,079
Surplus on Revenue Account	£25,716

In terms of the Local Government Act 1980, the Building Services DLO which is subject to Compulsory Competitive Tendering is required to achieve, for its description of work, the prescribed financial objective of breaking even, after taking into account Capital Charges which include the Capital Financing Charge of 6% of the value of the assets used and 6% on the average value of stocks held.

The statutory prescribed financial objective has been achieved.

- (3) A refund of £466,765 has been made to the Housing Revenue Account. The surplus of £25,716 for the year has been carried to the Appropriation Account and subsequently transferred to the Reserve Fund.

THE BUILDING SERVICES DIRECT LABOUR ORGANISATION**REVENUE AND APPROPRIATION ACCOUNTS**
FOR THE YEAR ENDED 31 MARCH 2001**REVENUE ACCOUNT**

<u>2000</u>	<u>INCOME</u>	<u>2001</u>
£		£
3,459,682	Charges to Other Accounts of the Council	4,322,079
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£ 3,459,682		£ 4,322,079
=====		=====

EXPENDITURE

19,538	Work in Progress brought forward	11,447
1,462,442	Labour	1,820,332
902,599	Stores/Purchases	1,086,344
129,431	Transport and Plant	187,392
416,502	Sub-Contractors	600,162
444,369	Overheads	525,139
72,902	Financing Costs	96,307
(11,003)	LESS Closing Work in Progress	(30,760)
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£ 3,436,780	TOTAL EXPENDITURE	£ 4,296,363
=====		=====

£ 22,902	Surplus for year transferred to the Appropriation Account	£ 25,716
=====		=====

APPROPRIATION ACCOUNT

22,902	Surplus for year from Revenue Account	25,716
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£ 22,902	BALANCE TRANSFERRED TO RESERVE FUND	£ 25,716
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THE BUILDING SERVICES DIRECT LABOUR ORGANISATION

MOVEMENT ON RESERVE FUND
FOR THE YEAR ENDED 31 MARCH 2001

<u>2000</u>		<u>2001</u>
£		£
889,607	Balance Brought Forward	957,678
45,169	Interest Received	55,740
22,902	Transfer from Appropriation Account	25,716
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£957,678		£1,039,134
=====		=====

THE BUILDING SERVICES DIRECT LABOUR ORGANISATION**BALANCE SHEET AS AT 31 MARCH 2001**

<u>2000</u>		<u>2001</u>
£		£
	FIXED ASSETS	
237,231	Vehicles, Plant and Equipment	294,045
-	- Non-Operational Assets	-
326,767	Other Land and Buildings	320,232
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563,998		614,277
	CURRENT ASSETS -	
108,282	Stock and Work in Progress	152,332
2,460	Debtors	69,294
<u>1,165,655</u>	Revenue Advances to Council Loans Fund	1,129,518
1,276,397		-----
		1,351,144
	LESS: CURRENT LIABILITIES -	
318,719	Creditors	362,289
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£ 1,521,676		£ 1,603,132
=====		=====
	SOURCES OF CAPITAL	
477,275	Fixed Asset Restatement Reserve	477,275
86,723	Capital Financing Reserve	86,723
957,678	Reserve Fund	1,039,134
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£ 1,521,676		£ 1,603,132
=====		=====

THE BUILDING SERVICES DIRECT LABOUR ORGANISATION

SUMMARY OF ACCOUNTING PRINCIPLES
FOR THE YEAR ENDED 31 MARCH 2001

(1) **GENERAL**

- (a) In framing the Accounts and Financial Statements, the general principles adopted are in accordance with the CIPFA Code of Practice for Compulsory Competition 1996, and comply with the Direct Labour Organisations (Content of Annual Reports) (Scotland) Directions, 1982 and The Scottish Office Development Department Circular 8 of 1996.

(2) **FIXED ASSETS**

Asset Valuations are recorded in line with CIPFA's Code of Practice on Capital Accounting. The basis for valuation being:-

Operational Assets and Non-Operational Assets	Lower of Net Current Replacement Cost (NCRC) or Net Realisable Value in existing use (NVR)
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Equipment, Plant and Vehicles	Depreciated Replacement Cost
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(3) **STOCKS AND WORK IN PROGRESS**

Stock has been valued on the basis of average price or the cost of the last item received. Work in Progress is stated at cost or value of work done.

(4) **DEBTORS**

The amount appearing in the Balance Sheet represents sums due to be paid at 31 March.

(5) **CREDITORS**

The amount appearing in the Balance Sheet represents the full amounts due but unpaid at 31 March.

(6) **DEPRECIATION**

Provision has been made for depreciation in accordance with CIPFA's Code of Practice on Capital Accounting.

Mark Palmer
Chief Financial Officer

20 June 2001

**AUDITOR'S OPINION
(PRESCRIBED FINANCIAL OBJECTIVE)**

**To the members of The Moray Council and
Scottish Ministers**

As auditor, appointed under statute by the Accounts Commission for Scotland, I have considered the statement for the year ended 31 March 2001 on page 4 of this report which relates to the category of work of maintenance.

In my opinion the financial objective set by the Secretary of State has been met.

13 September 2001

Peter Johnston CA CPFA
Chief Auditor
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