



UNISON response to

General Functions Committee

29 March 2012

AGENDA ITEM: 7

TUPE Transfer of Parking Services staff to NSL Ltd.

Barnet UNISON

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2012

Recommendation

Before General Functions Committee approve recommendations 1.1 and 1.2 of the report, UNISON is requesting General Functions Committee to consider our report and provide responses to the questions therein.

Questions and Request for Information

- 1. Please provide UNISON copies of the financial evaluation on all the bids to ensure that the contractor is an economic operator and therefore the interest of the employees has been safeguarded.**
- 2. Is the current Civica CE system fully functional to complete a full statutory end to end Civil Enforcement process, including the generation of charge certificate notices, instructions to bailiff and effective debt recovery?**
- 3. Please provide UNISON a copy of the financial risk assessment to the Pension Fund on the application for AMS by RR Donnelly.**
- 4. When were Barnet council first notified that there was a subcontractor being used on the contract?**
- 5. What Due Diligence was carried out on the first subcontractor (Parseq) and what was the outcome? Please provide copy of the evaluation.**
- 6. What Due Diligence has been carried out on RR Donnelly and what was the outcome? Please provide copy of the evaluation.**
- 7. Can the Committee confirm that the Council has secured a Bond which adequately protects the Barnet Pension Fund?**
- 8. In light of the ongoing issues about contract monitoring which have been raised over the last four years why recruitment for critical positions have not been made for this important function?**

1. Introduction

Before General Functions Committee approve recommendations 1.1 and 1.2 of the report UNISON is requesting General Functions Committee to consider our report and provide responses to the questions therein.

On 1 May Barnet council staff working in the Parking Service will be transferring to NSL and subsequently a small number of staff TUPE transferred to RR Donnelly (sub contractor).

Until UNISON were issued the Measures letter dated 10 February, UNISON had not been informed that some staff would not be transferring to NSL. There is no mention of a subcontractor providing services on this contract in the Final Business Case which was submitted to Cabinet Resources Committee 14 December 2012

<http://committeepapers.barnet.gov.uk/democracy/meetings/executivemeetingdetail.asp?MeetingID=7124>

In the Measures letter dated the 10 February NSL provide some details on how the measures will impact on the staff are transferring.

The letter states:

“the Post Team will transfer to Doncaster to an operation run by a company called Parseq.”

In a further Measures letter dated **28 February** it states

“1. The function of the post room and the payment team will be operated by RR Donnelly and not Parseq as previously indicated.”

There have been a number of Tri partite meetings with NSL and the Trade Unions however RR Donnelly so far have only attended one meeting.

RR Donnelly have not been awarded Admitted Body Status (ABS). We have been informed that an emergency Pension Fund Committee is being arranged for the week commencing 23 April.

2. Financial concerns

UNISON has a number of concerns arising from the public financial accounts 2010 of **NSL Ltd and NSL Services Group Ltd**. UNISON first raised concerns with the Statutory 151 Officer (see Appendix A) and to date we have not had a response.

Using the publicly available accounts of NSL Ltd (see Appendixes B) and NSL Services Group Ltd we have made a number of observations from their published accounts, including the following:

- Increased retained loss £27m (NSL Ltd) and £37m (NSL Services Group Ltd) as at 31/12/2010.
- Increased carry forward shareholder loss £25m (NSL Ltd) and £35m (NSL Services Group Ltd) as at 31/12/2010.

- Decreased turnover £146m (NSL Ltd) and £156m (NSL Services Group Ltd) for 2010.
- Increased financing costs £8m (NSL Ltd) and £13m (NSL Services Group Ltd) for 2010.
- Increased cash outflow £6m (NSL Services Group Ltd) for 2010.

PQQ and Final evaluation

The evaluation of NSL would have been carried out at PQQ stage and at the final financial evaluation stage. Using the Council's own financial evaluation and scoring matrix we are at a loss as to how NSL would have satisfied the Council on the company's financial health. Our evaluation is contained in Appendix C based on the Council's PQQ Scoring Matrix Final in Appendix D.

Please provide UNISON copies of the financial evaluation on all the bids to ensure that the contractor is an economic operator and therefore the interest of the employees has been safeguarded.

3. Functionality of Civica system

It is our understanding that the Civica contract is a five year £2 million deal for end to end Civil Enforcement.

<http://www.civicapl.com/UK/Sectors/Enforcement/Parking+and+Civil+Enforcement/News/Civica+awarded+%C2%A32million+civil+enforcement+managed+service+in+Barnet.htm>

“The CE system also offers Barnet’s residents the ability to post their own digital photographic evidence on the council’s website if they are appealing against the penalty notice, as well as simplifying the purchase of parking permits online and providing transparent penalty notice administration.”

UNISON has recently seen Back Office Parking Staff Forum minutes of March 2011 meeting when concern was raised that since the implementation of Civica CE in 2009 a large number of PCNs and bus lane contraventions have not progressed to either stage 3 (Charge Certificate) or to progress to stage 4 (where a debt should be registered with County Court) resulting in a significant potential loss of income to the Council.

UNISON is seeking to establish that the new contractor is sufficiently geared to provide an economic and efficient process that result in a minimum loss of income to the Council.

Is the current Civica CE system fully functional to complete a full statutory end to end Civil Enforcement process, including the generation of charge certificate notices, instructions to bailiff and effective debt recovery?

4. Subcontractors – Pensions Admitted Body Status (ABS)

Until 10 February UNISON were not aware of any subcontractors operating on this contract. In the space of two weeks (see Measures letters Pages 27 – 30 of the Council Paper to Agenda Item 7) the subcontractor has changed.

The subcontractor RR Donnelly currently has not been granted ABS. UNISON is concerned by the lateness and speed in which the process of evaluation and due diligence of the request is being processed for the request for ABS.

Please provide UNISON a copy of the financial risk assessment to the Pension Fund on the application for ABS by RR Donnelly.

5. Subcontractors Due Diligence

UNISON is concerned at the late notice of the introduction of a sub contractor to deliver part of the contract. We therefore request the following from the Council:

When were Barnet council first notified that there was a subcontractor being used on the contract?

What Due Diligence was carried out on the first subcontractor (Parseq) and what was the outcome? Please provide copy of the evaluation.

What Due Diligence has been carried out on RR Donnelly and what was the outcome? Please provide copy of the evaluation.

6. Bond

In the minutes of the Pension Committee 20 December 2011 it stated as follows:

10. ADMISSION OF NSL SERVICES GROUP INTO THE LONDON BOROUGH OF BARNET PENSION FUND (Report of the Assistant Director, Environment, Planning & Regeneration – Agenda Item 10)

RESOLVED – The Committee;

1. noted the 14 December 2011 Cabinet Resources Committee approval to create a strategic partnership with NSL to transfer the Parking Service and TUPE transfer the relevant staff; and
2. approved admission to the Local Government Pension Scheme under Admission Body Status for NSL.
3. noted a status update regarding NSL securing a bond will be provided at the next Pension Fund Committee through the Admitted Body Organisations report.

At the last Pensions Fund Committee 14 March there was no reference to NSL securing the Bond.

Can the Committee confirm that the Council has secured a Bond which adequately protects the Barnet Pension Fund?

7. Client side team

Parking Services report to **CRC 14 December 2011** states the following:

“6.1 Critical Success Factors

A suitable contract management team in place and trained to the appropriate standard to ensure effective contract management by February 2012.”

It is a little over five weeks from the outsourcing of this high profile £14 million parking contract and the Council has still not recruited the client side team. It is our understanding that good practice would be to have the client side in place well in advance of the contract going live.

In light of the ongoing issues about contract monitoring which have been raised over the last four years why recruitment for critical positions have not been made for this important function?

UNISON email to section 151 officer

From: John Burgess
Sent: 13 March 2012 12:10
To: 'Travers, Andrew'
Cc: 'Butterfield, Laura'
Subject: Barnet UNISON - NSL

Hi Andrew

I am writing to you in your role as the section 151 officer.

It has come to my attention that the financial accounts for NSL have been published on a Blog <http://lbbsspending.blogspot.com/2012/03/nsl-are-losing-money-hand-over-fist.html>

As you know NSL are due to take over Parking Services on 1 May 2012 and a significant number of my members are going to be transferred, some of whom are going to be served 'at risk of redundancy' letters. I am at this stage a little concerned by what I have read as a quick examination of accounts for NLS Ltd and NSL Services Group Ltd on the Blog shows the following:

- Increased retained loss £27m (NSL Ltd) and £37m (NSL Services Group Ltd) as at 31/12/2010
- Increased carry forward shareholder loss £25m (NSL Ltd) and £35m (NSL Services Group Ltd) as at 31/12/2010
- Decreased turnover £146m (NSL Ltd) and £156m (NSL Services Group Ltd) for 2010
- Increased financing costs £8m (NSL Ltd) and £13m (NSL Services Group Ltd) for 2010
- Increased cash outflow £6m (NSL Services Group Ltd) for 2010

These figures appear to show a precarious financial position for both NLS Ltd and NSL Services Group Ltd.

As you know the NSL bid has to go through a financial evaluation at the LBB PQQ stage information (see attached report). I want to refer to the financial evaluation under section C which would be evaluating the following:

- C.8.1 Solvency
- C.8.2 Debt/Asset Ratio
- C.8.3 Liquidity
- C.8.4 Gearing
- C.8.5 Turnover
- C.8.6 Total Indebtness Ratio
- C.8.7 Short-Term Indebtness Ratio
- C.8.8 Profitability
- C.8.9 Interest Cover
- C.8.10 Mortgages and Charges
- C.8.11 Net Worth to Total Assets
- C.8.12 Overall Financial Health

Bearing in mind the information to be found in the public accounts for NSL can you explain as to how by applying the above evaluation you in your role as section 151 officer were able to approve the financial evaluation of NLS Ltd and NSL Services Group Ltd.

Best wishes
John Burgess
Branch Secretary.

Barnet UNISON

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Defend Our Pensions

NSL Limited

Profit and loss account
Year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Turnover	1, 2		
Existing operations		141,226	137,637
Acquired operations		5,238	-
		<hr/>	<hr/>
Continuing operations		146,464	137,637
Discontinued operations		-	12,176
		<hr/>	<hr/>
Total Turnover		146,464	149,813
Cost of sales		(127,922)	(132,154)
		<hr/>	<hr/>
Gross profit		18,542	17,659
Administrative expenses (including Goodwill amortisation)		(13,270)	(13,026)
<hr/>			
- Operating profit before goodwill amortisation and exceptional items		8,452	8,545
- Goodwill amortisation	4	(3,180)	(3,192)
- Exceptional items			
- One off non-recurring items	4	-	(720)
<hr/>			
Operating profit/(loss)			
Existing operations		5,063	3,809
Acquisitions		209	-
		<hr/>	<hr/>
Continuing operations		5,272	3,809
Discontinued operations		-	824
		<hr/>	<hr/>
		5,272	4,633
Profit on disposal of business	20	-	393
Interest receivable and similar charges		34	54
Interest payable and similar charges	3	(8,457)	(7,147)
		<hr/>	<hr/>
Loss on ordinary activities before taxation	4	(3,151)	(2,067)
Tax on loss on ordinary activities	5	871	-
		<hr/>	<hr/>
Loss on ordinary activities after taxation		(2,280)	(2,067)
Retained loss brought forward		(24,694)	(22,627)
		<hr/>	<hr/>
Retained loss carried forward	16	<u>(26,974)</u>	<u>(24,694)</u>

There were no recognised gains or losses in the period other than the loss for the year. Accordingly, no statement of total recognised gains and losses is presented.

NSL Limited

Balance sheet As at 31 December 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Intangible assets - goodwill	7	51,992	54,310
Tangible assets	8	7,297	6,855
Investments	9	3,733	3,818
		<u>63,022</u>	<u>64,983</u>
Current assets			
Debtors	10	26,556	26,576
Cash at bank and in hand	11	7,268	12,261
		<u>33,824</u>	<u>38,837</u>
Creditors amounts falling due within one year	12	<u>(21,069)</u>	<u>(28,394)</u>
Net current assets		<u>12,755</u>	<u>10,443</u>
Total assets less current liabilities		75,777	75,426
Creditors: amounts falling due after more than one year	13	(99,979)	(97,260)
Provisions for liabilities	14	<u>(1,291)</u>	<u>(1,379)</u>
Net liabilities		<u>(25,493)</u>	<u>(23,213)</u>
Capital and reserves			
Called up share capital	15	1,481	1,481
Profit and loss account	16	<u>(26,974)</u>	<u>(24,694)</u>
Total shareholders' deficit	17	<u>(25,493)</u>	<u>(23,213)</u>

These financial statements of NSL Limited, registered number 06033060, were approved by the Board of Directors on 24 March 2011

Signed on behalf of the Board of Directors



Mark Underwood
Director

Scoring of the winning bidder

	Financial Ratio	Scoring Matrix Ref	Score/ Out Off	
C.8.1	Solvency	A	0/10	*
C.8.2	Debt/Asset	B	0/10	*
C.8.3	Liquidity	C	08-Oct	*
C.8.4	Gearing	D	0/10	*
C.8.5	Turnover	E	10/10	*
C.8.6	Total Indebtedness	F	0/5	*
C.8.7	Short-Term Indebtedness	G	0/5	*
C.8.8	Profitability	H	0/10	*
C.8.9	Interest Cover	I	0/10	*
C.8.10	Mortgage & Charges	J	0/10	*
C.8.11	Net Worth to Total Assets	L	0/10	*
C.8.12	Financial Health	K	?	

* our assessment based on 2010 filed accounts

? Experian score not available



Section C: Financial Information

Question C1-C7 for Information Only

Question C8 The following methodology will be used:

A Solvency

- 0 Has a solvency ratio of up to 10%
- 1 Has a solvency ratio between 10% and 15%
- 2 Has a solvency ratio between 15% and 20%
- 3 Has a solvency ratio between 20% and 25%
- 4 Has a solvency ratio between 25% and 30%
- 5 Has a solvency ratio between 30% and 35%
- 6 Has a solvency ratio between 35% and 40%
- 7 Has a solvency ratio between 40% and 45%
- 8 Has a solvency ratio between 45% and 50%
- 9 Has a solvency ratio between 50% and 60%
- 10 Has a solvency ratio > 60%

B Debt / Asset Ratio

- 0 Debt / Asset ratio is greater than 100%
- 1 Debt / Asset ratio is between 90% and 100%
- 2 Debt / Asset ratio is between 80% and 90%
- 3 Debt / Asset ratio is between 70% and 80%
- 4 Debt / Asset ratio is between 60% and 70%
- 5 Debt / Asset ratio is between 50% and 60%
- 6 Debt / Asset ratio is between 40% and 50%
- 7 Debt / Asset ratio is between 30% and 40%
- 8 Debt / Asset ratio is between 20% and 30%
- 9 Debt / Asset ratio is between 10% and 20%
- 10 Debt / Asset ratio is between 0 and 10%

C Liquidity

- 0 Quick Ratio / Acid Test is up to 0.5
- 1 Quick Ratio / Acid Test is between 0.5 and 0.7
- 2 Quick Ratio / Acid Test is between 0.7 and 0.8
- 3 Quick Ratio / Acid Test is between 0.8 and 0.9
- 4 Quick Ratio / Acid Test is between 0.9 and 1
- 5 Quick Ratio / Acid Test is between 1 and 1.1
- 6 Quick Ratio / Acid Test is between 1.1 and 1.3
- 7 Quick Ratio / Acid Test is between 1.3 and 1.5
- 8 Quick Ratio / Acid Test is between 1.5 and 1.7
- 9 Quick Ratio / Acid Test is between 1.7 and 1.9
- 10 Quick Ratio / Acid Test is greater than 1.9

D Gearing

- 0 Gearing ratio of more than 120% and / or negative shareholders funds
- 1 Gearing ratio between 110% and 120% and positive shareholders funds
- 2 Gearing ratio between 100% and 110% and positive shareholders funds
- 3 Gearing ratio between 90% and 100% and positive shareholders funds
- 4 Gearing ratio between 80% and 90% and positive shareholders funds
- 5 Gearing ratio between 70% and 80% and positive shareholders funds
- 6 Gearing ratio between 60% and 70% and positive shareholders funds
- 7 Gearing ratio between 50% and 60% and positive shareholders funds
- 8 Gearing ratio between 40% and 50% and positive shareholders funds
- 9 Gearing ratio between 30% and 40% and positive shareholders funds
- 10 Gearing ratio of less than 30% and positive shareholders funds

E Turnover

- 0 Turnover < 3times Estimated scheme / contract value
- 5 Turnover => 3ice Estimated scheme / contract value
- 10 Turnover => 4times Estimated scheme / contract value

F Total indebtedness Ratio (applies to co's with a positive shareholders fund)

- 0 Total Debt is at least twice Shareholders Funds &/or negative shareholders funds
- 1 Total Debt : Shareholders Funds is between 1.6 and <2.0
- 2 Total Debt : Shareholders Funds is between 1.2 and <1.6
- 3 Total Debt : Shareholders Funds is between 0.8 and <1.2
- 4 Total Debt : Shareholders Funds is between 0.4 and <0.8
- 5 Total Debt : Shareholders Funds is less than 0.4

G Short term Indebtedness Ratio (applies to co's with a positive shareholders fund)

- 0 Short term debt is at least twice Shareholders Funds &/or negative shareholders funds
- 1 Short term debt : Shareholders Funds is between 1.6 and <2.0
- 2 Short term debt : Shareholders Funds is between 1.2 and <1.6
- 3 Short term debt : Shareholders Funds is between 0.8 and <1.2
- 4 Short term debt : Shareholders Funds is between 0.4 and <0.8
- 5 Short term debt : Shareholders Funds is less than 0.4

H Profitability

- 0 Is heavily loss making
- 1 Is slightly loss making
- 2 Is breaking even
- 3 Has a Profit (Before Tax) margin <= 4%
- 4 Has a Profit (Before Tax) margin <= 6%
- 5 Has a Profit (Before Tax) margin <= 8%
- 6 Has a Profit (Before Tax) margin <= 10%
- 7 Has a Profit (Before Tax) margin>10% and <=12%
- 8 Has a Profit (Before Tax) margin>12% and <13.5%
- 9 Has a Profit (Before Tax) margin>13.5% and <15%
- 10 Has a net Profit margin of => 15%

I Interest Cover

- 0 Interest Cover is less than 1
- 1 Interest Cover is between 1 and 2
- 2 Interest Cover is between 2 and 3
- 3 Interest Cover is between 3 and 4
- 4 Interest Cover is between 4 and 5
- 5 Interest Cover is between 5 and 6
- 6 Interest Cover is between 6 and 7
- 7 Interest Cover is between 7 and 8
- 8 Interest Cover is between 8 and 9
- 9 Interest Cover is between 9 and 10
- 10 Interest Cover is greater than 10

J Mortgages & Charges (M & C) - See 'Public Record Information' Section of Experian Report (ER)

See 'Public Record Information' Section of Experian Report - Compare total value of M & C in ER with value of company assets.

Check to see if consistent with information disclosed in Statement of Accounts

- 0 Unsatisfied fixed and / or floating charges / mortgages of over 50% of fixed assets
- 1 Unsatisfied fixed and / or floating charges / mortgages of between 40% & 50% of fixed assets
- 2 Unsatisfied fixed and / or floating charges / mortgages of between 35% & 40% of fixed assets
- 3 Unsatisfied fixed and / or floating charges / mortgages of between 30% & 35% of fixed assets
- 4 Unsatisfied fixed and / or floating charges / mortgages of between 25% & 30% of fixed assets
- 5 Unsatisfied fixed and / or floating charges / mortgages of between 20% & 25% of fixed assets
- 6 Unsatisfied fixed and / or floating charges / mortgages of between 15% & 20% of fixed assets
- 7 Unsatisfied fixed and / or floating charges / mortgages of between 10% & 15% of fixed assets
- 8 Unsatisfied fixed and / or floating charges / mortgages of between 5% & 10% of fixed assets
- 9 Unsatisfied fixed and / or floating charges / mortgages up to 5% of fixed assets
- 10 No outstanding mortgages / charges in Experian / Financial Reports

K Overall Financial Health - Experian Financial Stability Assessment

- 0 No stars applied - Experian have provided a Warning
- 2 Experian - 1 star Commercial Delphi Rating
- 4 Experian - 2 star Commercial Delphi Rating
- 6 Experian - 3 star Commercial Delphi Rating
- 8 Experian - 4 star Commercial Delphi Rating
- 10 Experian - 5 star Commercial Delphi Rating

L Net Worth to Total Assets

- 0 Net Worth to Total Assets Ratio up to 10%
- 1 Net Worth to Total Assets Ratio between 10% and 15%
- 2 Net Worth to Total Assets Ratio between 15% and 20%
- 3 Net Worth to Total Assets Ratio between 20% and 25%
- 4 Net Worth to Total Assets Ratio between 25% and 30%
- 5 Net Worth to Total Assets Ratio between 30% and 35%
- 6 Net Worth to Total Assets Ratio between 35% and 40%
- 7 Net Worth to Total Assets Ratio between 40% and 50%
- 8 Net Worth to Total Assets Ratio between 50% and 60%
- 9 Net Worth to Total Assets Ratio between 60% and 70%
- 10 Net Worth to Total Assets Ratio greater than 70%

Question C9 for Information Only

Question C10 for Information Only