

Compliance with Contract and Financial Procedure Rules

Purpose

- 1.1 To seek approval by Council Cabinet under Contract and Financial Procedure rules for the following:
- a) A procurement for the Hire of Skips and associated Waste Disposal
 - b) The signing of a Collaborative Agreement with Nottingham City Council for the Way2Work project
 - c) Acceptance funding from the European Social Fund – ESF
 - d) Write off of two loans – Derby Enterprise Growth fund – DEGF

Recommendations

- 2.1 To approve:
- a) A procurement for the hire of skips and associated waste disposal, for an initial term of two years with an option to extend by a further two years in annual increments, with a value of £0.242m per annum as outlined in section 4.1
 - b) The signing of a Collaborative Agreement between Nottingham City Council, as the Accountable Body and Derby City Council for the delivery of the ESF funded 'Way2Work' Project as outlined in Section 4.2
 - c) Acceptance of funding of up to £0.270m from the ESF for the Way2Work project via the Accountable Body, Nottingham City Council as outlined in section 4.2
 - d) The write off of two Derby Enterprise Growth Fund (DEGF) loans, totalling a maximum of £0.581m as detailed in section 4.3

Reason

- 3.1 To comply with the Council's Contract and Financial Procedure rules.

Supporting Information

- 4.1 **Procurement for the Hire of Skips and associated Waste Disposal at a value of £0.242m per annum**
The bulk of the waste skips on this contract are used by the street cleansing, trade contracts team who operate a waste transfer station on behalf of Derby Homes, at the London Rd Depot.
- 4.1.1 The trade contracts team provide a void property clearance and cleaning operation for Derby Homes, the resulting waste is placed in skips at the London Rd waste transfer station. Derby Homes staff also deposits waste, primarily from building repair and maintenance works. Skips are collected, emptied and returned to site as required.
- 4.1.2 The costs of the skips used and disposal of waste from this site year are initially borne by the Council; however, the costs in the main are recharged to Derby Homes as appropriate via an agreed schedule of rates. The bulk of the remaining expenditure is for the hire of skips and associated waste disposal from Derby Market Hall. Schools will also use this contract, spending circa £0.040m per annum, although they will obtain their own approval for this expenditure.
- 4.1.3 It is recommended therefore to approve a procurement for the hire of skips and associated waste disposal, for an initial term of two years with an option to extend by a further two years in annual increments, with a value of £0.240m per annum.
- 4.2 **Way2Work project – Collaborative agreement with Nottingham City Council and the acceptance of the associated ESF funding of up to £0.270m**
Cabinet approved a European Structural and Investment Fund - ESIF collaborative bid application with other upper tier local authorities at its meeting in November 2018. An application for ESF funding was made to assist with the funding for delivery of the Way2Work project, to be delivered by Nottingham City Council (the Accountable Body) and partnering organisations.
- 4.2.1 The signing of a Collaborative Agreement between Nottingham City Council, as the Accountable Body and Derby City Council is required. The purpose of this Agreement is to set out the obligations and rights of Derby City Council as a delivery partner, and for the administration of the Way2Work project. This agreement is a requirement to receive grant monies under the European Social Fund Operational Programme for England 2014-2020.
- 4.2.2 Derby City Council is one of the key delivery partners together with the other upper tier local authorities, Derby College, Princes Trust and Community Action Derby, in this D2N2 wide ESF project named Way2Work. The focus of this application is to get individuals from the most deprived communities closer to the job market and get into employment. ESF provides 50% of the funding for this project.

- 4.2.3 The funding that the Derby City Council would receive from ESF via Nottingham City Council, the Accountable Body will be up to £0.270m.
- 4.2.4 It is recommended to approve the signing of a Collaborative Agreement between Nottingham City Council, as the Accountable Body and Derby City Council for the delivery of the ESF funded 'Way2Work' Project.
- 4.2.5 It is recommended to approve acceptance of funding of up to £0.270m from the ESF for the Way2Work project via the Accountable Body, Nottingham City Council.
- 4.3 **Write of off loans – DEGF**
The Derby Enterprise Growth Fund (DEGF) is a scheme offering grants and/or loans to businesses in the Derby Travel to Work area for expansion, growth and job creation. DEGF has awarded loans to 47 businesses totalling £13.9m since June 2013 and grants of £12.1m to 44 businesses.
- 4.3.1 Two businesses who have received DEGF loans have ceased trading and been dissolved, leaving outstanding loan principal and interest balances totalling £0.581m. DEGF treats all Companies financial information as confidential and for this reason the businesses have been anonymised.
- 4.3.2 **Business A**
In February 2015 DEGF provided a loan to Business A. The business failed to pay its DEGF repayments from March 2017 onwards due to financial difficulty, eventually entering administration on 16th April 2018. Since then, DEGF has successfully recovered over £0.060m from the administrators from security over assets negotiated within the original loan agreement. There are no more payments due from the administrator and the remaining balance of circa £0.304m is required to be written off.
- 4.3.3 **Business B**
In December 2014 DEGF provided a loan to Business B which unfortunately did not then manage to commercialise its intellectual property and made no DEFG repayments. The only assets of value within the business were deemed to be worth up to £0.010m in total and in light of this very low asset-base, it was agreed that entering formal administration proceedings would likely erode most of the value of these assets. DEGF therefore allowed a voluntary winding up of the business, which would allow the sale of the assets on DEGF's behalf and with DEGF being the beneficiary of that transaction. The maximum balance outstanding for write-off is circa £0.276m. Receipt of any asset sale proceeds being progressed (up to £0.010m) will reduce the maximum write-off amount accordingly.
- 4.3.4 Security is required for all new DEGF loans and negotiated in the due diligence process. These two loans were secured against assets, including intellectual property, and the realisation against these assets is believed to be the best that can be expected. Therefore, Cabinet is asked to approve the write off of these two DEGF loans, totalling a maximum of £0.581m. Officers account for defaults on an on-going basis and these two outstanding balances are fully provided for within the current bad debt provision which is subject to regular review. Total bad debt to date is still below the norm for commercial lending for riskier commercial loans which is generally between 7-10%.

- 4.3.5 It is recommended to approve the write off of two Derby Enterprise Growth Fund (DEGF) loans, totalling a maximum of £0.581m.

Public/stakeholder engagement

- 5.1 As outlined in the body of the report.

Other options

- 6.1 None directly arising.

Financial and value for money issues

- 7.1 As outlined in the body of the report.

Legal implications

- 8.1 As outlined in the body of the report

Other significant implications

9.1 Equalities Impact

Any procurement exercise the Council does will take into account equality in the specification and the process.

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal	Olu Idowu	13 February 2020
Finance	Toni Nash, Head of Finance – Corporate Resources	10 February 2020
Service Director(s)	Simon Riley, Director of Financial Services	20 February 2020
Report sponsor	Simon Riley, Director of Financial Services	20 February 2020
Other(s)		