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Mr. **Personal Information**
Principal Associate
Eversheds Sutherland (International) LLP
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27 September 2017

Dear **Personal Information**

Restoration Bonds – Misson Springs and Tinker Lane

I understand that you are instructed by Island Gas Limited and Dart Energy (East Midlands) Limited, each of whom is required to enter into a Cash Deposit Restoration Bond pursuant to the Section 106 Agreements for the Misson Springs and Tinker Lane sites respectively.

I am aware that your clients have raised some concerns regarding the manner in which the Bond monies will be held by the County Council and specifically that the monies will be held in a 'mixed account'. In particular, your clients are concerned that:

1. There is no visibility on whether the account is unencumbered and whether or not security over the account has been given;
2. There is no guarantee that the account will remain unencumbered for the duration of the bond period;
3. There is no assurance that the Deposit Sum would be 'ring fenced'; and
4. There is no certainty of how interest is to be accrued.

The County Council has considered your concerns and I am writing to you in my capacity as the County Council's Service Director – Finance, Procurement and Improvement (as referenced in each of the draft bonds) in an effort to provide your clients with the necessary comfort and assurances in this regard.

Nottinghamshire County Council operates a single central bank account, into which all income is received. Each deposit paid into the bank account is allocated against a particular cost centre or to an individual order number and accounted for separately. In this instance, the Bond monies for both the Misson and Tinker Lane sites would be held in two separate "ring-fenced" order numbers on the ledger within the Place and Communities Department. These orders are managed by the Finance Business Partners for this business area, who are willing to produce reports to clearly show the value of the funds held in each order once the deposits have been lodged.

Crucially, each of these orders would be for the sole purpose of holding the Bond monies on the terms set out in the respective Bonds. These orders sit outside of the normal trading business of the County Council budget which is spent on the services it provides (schools,

libraries etc.) and so are not subject to any financial decisions regarding the future funding of these services. On this basis, these monies are 'ring fenced' as they could never be used for any purpose other than the specific purpose for which they are held, hence they are unencumbered.

The Interest on deposits is calculated, on a 7-day average rate, from the date of deposit to the date of repayment (calculated at the 31st March each year) and added to the principal sum. Again, reports can be produced on request showing the amount of interest added to the funds and total funding to date.

This is standard accountancy practice, widely used by local authorities and other public bodies. It is commonly used to hold deposit bonds for highway works pursuant to agreements under Section 278 or Section 38 of the Highways Act 1980, of which there are over 100 held by the County Council at any one time, all of which are separately identified and accounted for in the manner outlined above.

I understand that your client is proposing that the monies are held in a separate account. To all intents and purposes, the monies would be held in a separate account as they are accounted for separately, are held outside the County Council's budget and can only be used for the specific purpose for which they are held.

I trust that this is sufficient to provide the necessary assurances that the bond monies lodged with Nottinghamshire County Council would be held securely, effectively ring fenced and will be fully repaid with interest at completion of the scheme in accordance with the terms of the Section 106 Agreement and Bond.

Yours sincerely

Personal Information



Nigel Stevenson
Service Director – Finance, Procurement & Improvement