

SMART

TECHNICAL NOTE 4

BONDS, FEES & COMMUTED SUMS

This document is part of the “**Shropshire Manual for Adoptable Roads & Transport 2021**” (SMART) and should be read in conjunction with all other appropriate documents and appendices.

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TN4.1. INTRODUCTION

1. Shropshire Council will apply an appropriate value to an applicant's work when they enter into a highway agreement where the proposed works are being undertaken:
 - within and/or adjacent to the public highway, or;
 - may become the future responsibility of Shropshire Council, as Local Highway Authority, or;
 - the Council may become liable for remedial works to ensure safety for the public.

Under these circumstances, Shropshire Council will, apply a suitable value to these works – **the Bond** – which will be the whole cost of the works, together with an appropriate contingency and/or abortive works rate applied.

2. The principle of the **Bond** is to ensure that there will be sufficient funds available to the Council, at any time, to cover any and all outstanding work required by the agreement, for the duration of that agreement.

TN4.2. BOND VALUE CALCULATION

3. For all highway agreements, the bond sum will be the total value of the works covered by that agreement, plus an appropriate additional contingency cost added to cover any abortive work and/or any additional expenses likely to be incurred by the Council, should the bond to be 'called in'.
4. The value of the highway works (including traffic management and roadspace coordination fees) will be based on a Bill of Quantities, which is to be supplied by the developer with the detailed design submitted for technical assessment.
5. The submitted Bill of Quantities will be checked and compared against the Council's term contractor rates. Should a significant variance be found in the costings, the higher value will be used to determine the Bond Sum applicable to the agreement.
6. The Bond Sum can be in the form of a further legal agreement, with a financial company such as a Bank or NHBC, or even as a cash deposit (although this is usually only used for minor works i.e. >£10,000.00).

TN4.3. COUNCIL FEES & CHARGES

7. The Local Highway Authority will apply appropriate fees and charges to a development to recover its expenses in carrying out certain functions, to ensure that the works undertaken to the highway are acceptable to be adopted by the Council as highway maintainable at public expense.
8. Principally, these Highway Authority fees will cover the following areas of expenditure:
 - Technical assessment of the proposed design
 - Site inspection of the works in progress
9. It should be noted that separate legal charges will be applied to the making of these highway agreements and will be charged independently by the Council's Legal Department, based on an hourly rate.
10. For Section 38 Agreements the checking and inspection fees for each agreement will be based on 10% of the Bond value:
11. Furthermore, the Council reserves the right to make any appropriate and reasonable separate charges for any additional work, required due to the nature of the highway agreement. These works could include specialist structural or environmental assessment and/or inspection.

TN4.4. BOND REDUCTION

12. The amount of Bond Sum retained by the Council will be reviewed on request from the developer.
13. The principle of the Bond is to ensure that will be an adequate provision of funds, available to the Council, at any time, to cover any and all outstanding work required by the agreement, for the duration of that agreement.
14. Typically the Council will consider the following reduction stages and values:

When	Stage	Reduction Value
Substantial completion (S38 only)	Part 1 Certificate	50% of initial bond
Completion of works	Part 2 Certificate	25% of initial Bond
Completion of Maintenance period	Adoption of highway works	Return of all remaining bond

TN4.5. COMMUTED SUMS

15. The Council will make use of commuted sums in all highway agreements where it is considered necessary to cover all extraordinary maintenance costs likely to be incurred by the Council, in the dedicated future public realm (i.e. where non-standard materials and/or where high maintenance items are used).

16. Specifically, the Council will use the ADEPT Guidance on Commuted Sums to calculate all appropriate commuted sums to be paid.

<https://www.adeptnet.org.uk/documents/adept-commuted-sums-calculator-2018>

17. All commuted sums will be negotiated and agreed as part of the making of the appropriate highway agreement with all sums being paid in accordance with the signed agreement.

Working draft