The Seven-step Delivery Model

Bankers without Boundaries (BwB)

5 February 2026

Funded by

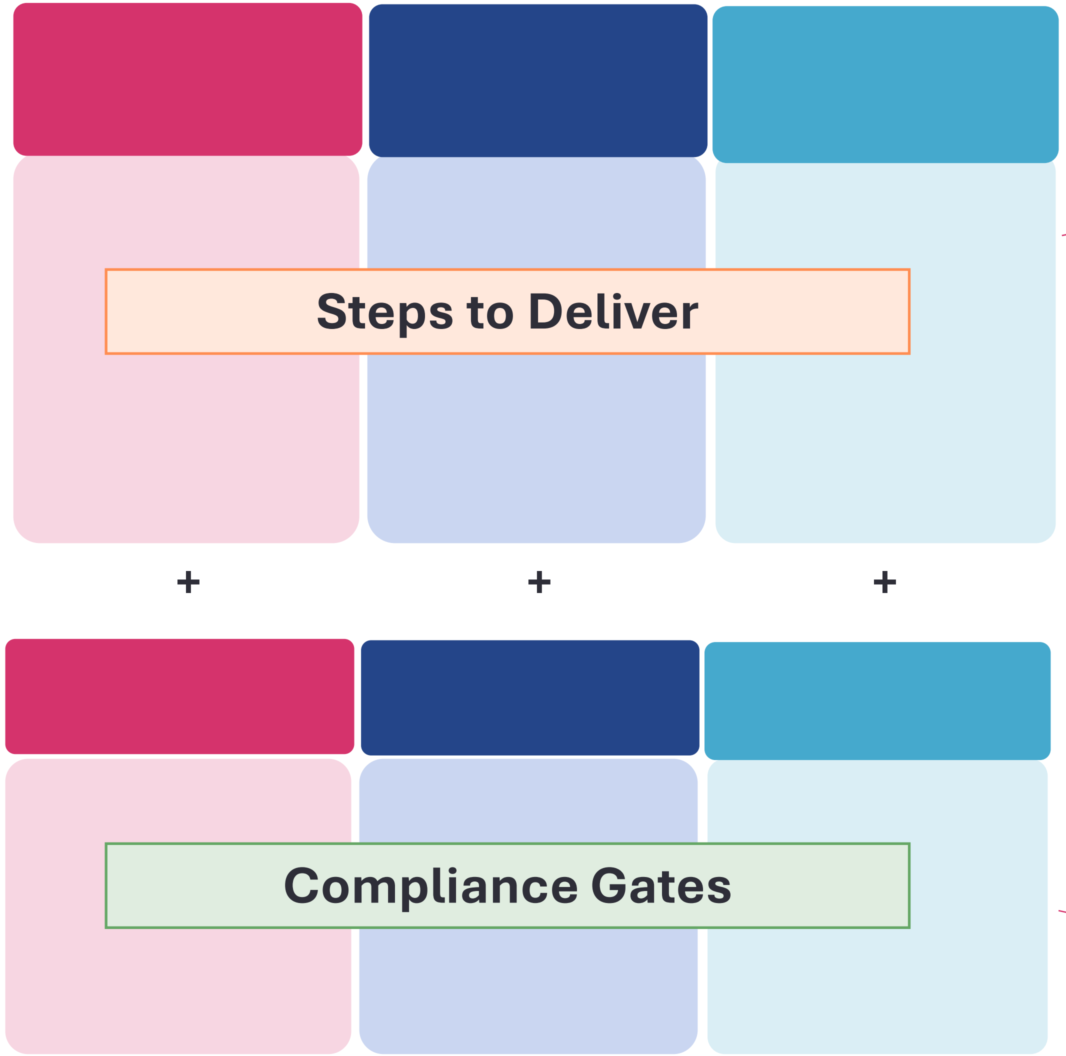
Department for Energy Security & Net Zero

In partnership with

Greater South East Net Zero Hub

Fit4Finance

User Guide



These are the active tasks the Project Team must **execute**. Each step answers the question: *"What do we need to do next?"*

Points to Note

1. **Maintain Sequential Integrity:** Each step should be considered in parallel with its corresponding compliance gate. These gates are mandatory decision points, and progressing to the next step before clearing a gate is not recommended.
2. **Gates Have Binary Outcomes:** A gate is either 'Pass' or 'Fail'. A 'Fail' indicates there are issues that must be addressed before moving forward to the next step.

These are crtitical decision points where work stops for **review**. Each gate answers the question: *"Should we move forward to the next stage?"*

Subordination: The Seven-step Delivery Model and Compliance Gates

Step 1: Capital Stack Definition

Local Authority (LA) defines the rationale for introducing junior capital, typically to enhance senior lender confidence or bridge a funding gap.

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Gate 0: Strategic Rationale and Affordability Check

Confirm that introduction of subordinated capital is justified, affordable and consistent with LA's risk appetite.

Pass evidence: Funding gap analysis and affordability confirmed.

Step 2: Legal and Subsidy Assessment

Legal powers and subsidy control implications are assessed, particularly where junior capital carries concessional features.

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Gate 1: Legal and Subsidy Compliance Approval

Confirm compliance with subsidy control principles and enforceability under insolvency law.

Pass evidence: Subsidy assessment complete and legal review signed off.

Step 3: Intercreditor Structuring

Ranking, standstill provisions, enforcement rights, and payment blockage clauses are negotiated between senior and junior creditors.

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Gate 2: Intercreditor Agreement Confirmation

Confirm formal approval of subordination mechanics and risk allocation.

Pass evidence: Intercreditor deed confirmed.

Step 4: Documentation and Security Structuring

Facility agreements and security arrangements are finalised to reflect agreed ranking.

Step 5: Funding and Close

Senior and junior funds are disbursed in line with agreed waterfall structure.

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Gate 3: Close Readiness Check

Confirm documentation, 'know your customer', and funding conditions are satisfied.

Pass evidence: Conditions precedent satisfied, funds disbursed, and intercreditor deed executed.

Step 6: Ongoing Waterfall Management

Payments are applied according to ranking. Compliance with ranking, payment restrictions, and reporting obligations monitored on an ongoing basis.

Step 7: Enforcement or Exit

In the event of default, standstill and enforcement provisions operate as agreed. At maturity, repayment follows agreed hierarchy.

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Gate 4: Ongoing Governance Review

(Ongoing) Confirm ranking remains enforceable and reporting obligations are met.

Pass evidence: Compliance monitoring and payment waterfall verification.

Sources: The Prudential Code for Capital Finance in Local Authorities, CIPFA, The Local Government Act

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