



Emergency Officer Decision Record

1. Subject and details of the matter (to include reasons for the decision)

There exists in North East Lincolnshire (and nationally) circumstances that may warrant exercise of powers and decision making outside usual parameters (Coronavirus/COVID-19).

S138 Local Government Act 1972 permits that where such circumstances exist so as to affect the whole or part of their area or all or some of its inhabitants a Council may:

- (a) incur such expenditure as they consider necessary in taking action themselves (either alone or jointly with any other person or body and either in their area or elsewhere in or outside the United Kingdom) which is calculated to avert, alleviate or eradicate in their area or among its inhabitants the effects or potential effects of the event; and
- (b) make grants or loans to other persons or bodies on conditions determined by the council in respect of any such action taken by those persons or bodies.

This decision is made in the above circumstances.

2. Is it a Key Decision as defined in the Constitution?

Yes

3. Details of Decision

1. Minimum cash balance increased to £15m (excl. Business Support Grant payments) – Rationale added buffer to support expected payment volatility. Keeps temporary cash of Business Support Grant segregated from 'Council' funds.
2. Short-term borrowing (up to 3 month max) to be taken as required up to 2020/21 CFR figure (£209m). Rationale - This ensures maximum flexibility within PIs but crucially allows for position to be unwound with 3 months if environment stabilises (through repayments)
3. This cap to be reduced by a like amount if we succeed in drawing £20m from Nomura/PPF and/or take 1y PWLB if LA market continues to be dysfunctional.

Rationale – ensures access to funding without double counting of internal borrowing position

4. Position to be reviewed at end April. Rationale – added flexibility should have added oversight.

Our Authorised Borrowing Limit for 2020-21 is £280m, the Operational Boundary is £240m. As current borrowing is £147m neither are breached as a result of this decision. Our variable rate limit is 60% (£88m) of which we have used £28m (all borrowing less than 12months being classed as variable rate). The S151 Officer can therefore approve this tranche of borrowing.

4. Is it an Urgent Decision? If yes, specify the reasons for urgency. Urgent decisions will require sign off by the relevant scrutiny chair(s) as not subject to call in.

Yes

5. Anticipated outcome(s)

Increase in resilience and retention of ability to be flexible in arrangements as identified above.

6. Details of any alternative options considered and rejected by the officer when making the decision

See annex for briefing to support the above decisions.

7. Background documents considered

Annex

8. Does the taking of the decision include consideration of Exempt information? If yes, specify the relevant paragraph of Schedule 12A and the reasons

No

9. Details of any conflict of interest declared by any Cabinet Member who was consulted by the officer which relates to the decision (in respect of any declared conflict of interest, please provide a note of dispensation granted by the Council's Chief Executive)

None

10. Monitoring Officer Comments (Monitoring Officer or Deputy Monitoring Officer)

All directors have the power to determine and exercise, having regard to prevailing Council policy, the operational requirements of their functions and to manage the human and material resources available for their functions.

Constitutionally the Section 151 Officer has responsibility for the conduct of the Council's financial affairs and matters of treasury management.

The Chief Executive has directed that all decisions made in the above circumstances shall be in consultation with the Leader and Portfolio Holder for Finance and Resources (where available)

11. Section 151 Officer Comments (Deputy S151 Officer or nominee)

The Council's normal Treasury management Strategy and policies have had to be adapted in response to the impact that the coronavirus pandemic has had on the income and expenditure profiles. Once the position has stabilised the position will be reviewed.

12. Human Resource Comments (Head of People and Culture or nominee)

None

13. Risk Assessment (in accordance with the Report Writing Guide)

See annex

<p>14. Decision Maker(s):</p> <p><i>In in the absence of the named Director or Delegatee a confirmatory email which is annexed to this record</i></p>	<p>Name: Robert G Walsh</p> <p>Title: Joint Chief Executive Officer</p> <p>Signed: Robert G Walsh</p> <p>Dated: 6th April 2020</p>
<p>15. Consultation carried out with Leader:</p> <p>Portfolio Holder for Finance and Resources (Cllr Shreeve)</p>	<p>Signed: Cllr Philip Jackson</p> <p>Dated: 3rd April 2020</p> <p>Signed: Cllr Stan Shreeve</p> <p>Dated: 3rd April 2020</p>
<p>16. If the decision is urgent then consultation should be carried out with the relevant Scrutiny Chair/Mayor/Deputy Mayor</p> <p><i>In in the absence of the named Member the Director has secured a confirmatory email which is annexed to this record</i></p>	<p>Name: Cllr Paul Silvester</p> <p>Title: Chair of the Communities Scrutiny Panel</p> <p>Signed: Cllr Paul Silvester</p> <p>Dated: 2nd April 2020</p>

In the event of absence or incapacity of the Leader and/or Portfolio Holder for Finance and Resources the Director has consulted with the following (tick one box) and has secured either a signature above or a confirmatory email which is annexed to this record.

Name	Tick
Deputy Leader and Portfolio Holder for Regeneration, Skills and Housing (Cllr Fenty)	
Portfolio Holder for Environment and Transport (Cllr S Swinburn)	
Portfolio Holder for Health, Wellbeing and Adult Social Care (Cllr Cracknell)	
Portfolio Holder for Tourism, Heritage and Culture (Cllr Procter)	
Portfolio Holder for Children, Education and Young People (Cllr Lindley)	
Portfolio Holder for Safer and Stronger Communities (Cllr Shepherd)	

NOTE

Upon the expiration of the circumstances outlined above (or sooner if appropriate) this Emergency Officer Decision Record shall be referred to the Communities Scrutiny Panel to note.

Appendix 1 - Copy of email confirmation

From: Rob Walsh (NELC) <Rob.Walsh@Nelincs.gov.uk>
Sent: 06 April 2020 10:42
To: Simon Jones (Chief Legal and Monitoring Officer) (NELC)
<Simon.Jones1@Nelincs.gov.uk>
Subject: RE: Emergency Decisions

Take it as read.thanks.

From: Simon Jones (Chief Legal and Monitoring Officer) (NELC)
<Simon.Jones1@Nelincs.gov.uk>
Sent: 03 April 2020 17:11
To: Rob Walsh (NELC) <Rob.Walsh@Nelincs.gov.uk>
Cc: Sharon Wroot (NELC) <Sharon.Wroot@nelincs.gov.uk>
Subject: Emergency Decisions
Importance: High

Rob.

The email thread below reflects:

1. Consent to urgency by Scrutiny Chair;
2. Consultation with PFH Finance and Resources;
3. Consultation with Leader.

You are the decision maker.

Having complied with the emergency governance framework I will need either an electronic signature on each Emergency ODR or (preferably) an email from you confirming that as decision maker all attached decisions, being:

1. Adult Social Care (ASC) decisions;
2. DoL's (Deprivation of Liberties);
3. Economy and Growth Schedule of decisions;
4. Finance and Treasury Management; and
5. Immingham Community Recycling Centre (CRC).

are deemed made and completed.

I will then forward to Democratic Services.

Regards,
Simon.

Simon D Jones,
Chief Legal and Monitoring Officer
North East Lincolnshire Council
Municipal Offices, Town Hall Square, Grimsby, DN31 1HU | DX13536 Grimsby 1|
Telephone number (01472) 324004 | simon.jones1@Nelincs.gov.uk|

From: Cllr Philip Jackson (NELC) <philip.jackson@nelincs.gov.uk>
Sent: 03 April 2020 13:46
To: Rob Walsh (NELC) <Rob.Walsh@Nelincs.gov.uk>; Cllr Stanley Shreeve (NELC) <Stanley.Shreeve@Nelincs.gov.uk>
Cc: Sharon Wroot (NELC) <Sharon.Wroot@nelincs.gov.uk>; Simon Jones (Chief Legal and Monitoring Officer) (NELC) <Simon.Jones1@Nelincs.gov.uk>
Subject: RE: Emergency Decisions

I'm content to sign these off, too, though share the concerns voiced by Stan Shreeve.

Kind regards

Councillor Philip Jackson
Leader of North East Lincolnshire Council
Municipal Offices, Town Hall Square, Grimsby, DN31 1HU
Email: Philip.jackson@nelincs.gov.uk
Office: 01472 325905
Alternative: 01472 823740

From: Cllr Stanley Shreeve (NELC) <Stanley.Shreeve@Nelincs.gov.uk>
Sent: 03 April 2020 13:32
To: Rob Walsh (NELC) <Rob.Walsh@Nelincs.gov.uk>; Cllr Philip Jackson (NELC) <philip.jackson@nelincs.gov.uk>
Cc: Sharon Wroot (NELC) <Sharon.Wroot@nelincs.gov.uk>; Simon Jones (Chief Legal and Monitoring Officer) (NELC) <Simon.Jones1@Nelincs.gov.uk>
Subject: RE: Emergency Decisions

Good afternoon,

Attached are signed decision notices as forwarded this morning.
I have signed all as requested, but can I put on record my disquiet with the ASC measures which are many and seem to be blanket covering just about everything, with no financial impact assessment at present. Please keep these closely under review as the situation develops and close down where possible.

Cllr Stan Shreeve
Portfolio Holder Finance and Resources
Ward Councillor for Humberston and New Waltham
North East Lincolnshire Council
Email: stanley.shreeve@nelince.gov.uk
Tel: 07702 343340

From: Rob Walsh (NELC)
Sent: 03 April 2020 11:43
To: Cllr Philip Jackson (NELC); Cllr Stanley Shreeve (NELC)
Cc: Sharon Wroot (NELC); Simon Jones (Chief Legal and Monitoring Officer) (NELC)
Subject: Emergency Decisions

Importance: High

Philip / Stan

Here is a suite of delegated emergency decisions for your perusal and sign off. In each instance officers have consider all relevant issues and risks and I , with your support, seek authority to formally sign them off for the record.

This is going to become a system / process that will iterate over the coming weeks / months.

For transparency, the full governance trail is set out below.

Rgs

Rob

From: Simon Jones (Chief Legal and Monitoring Officer) (NELC)
<Simon.Jones1@Nelincs.gov.uk>
Sent: 02 April 2020 13:45
To: Rob Walsh (NELC) <Rob.Walsh@Nelincs.gov.uk>
Cc: Paul Windley (NELC) <Paul.Windley@nelincs.gov.uk>
Subject: Emergency Decisions
Importance: High

Rob.

I have this morning received confirmation from the Communities Scrutiny Chair, Cllr Silvester, as to his consent to the attached decisions. Below.

You are now able to brief Leader and Portfolio Holder for Finance and Resources in accordance with the emergency framework of governance implemented as a result of the COVID-19 emergency.

Confirmatory emails from yourself and Members are sufficient in that scheme to evidence the decision.

Upon completion the decisions and supporting email threads will be subject to publication.

Regards,
Simon.

Simon D Jones,
Chief Legal and Monitoring Officer
North East Lincolnshire Council
Municipal Offices, Town Hall Square, Grimsby, DN31 1HU | DX13536 Grimsby 1 |
Telephone number (01472) 324004 | simon.jones1@Nelincs.gov.uk|

From: PAUL SILVESTER
Sent: 02 April 2020 11:54
To: Simon Jones (Chief Legal and Monitoring Officer) (NELC)
<Simon.Jones1@Nelincs.gov.uk>
Subject: Re: >>PLEASE READ AND RESPOND<< Emergency Decisions

Good morning Simon

I have read all of the emergency decision notices and my response as Chair of the Communities Scrutiny panel is as follows

1. Adult Social Care (ASC) decisions; - consent
2. DoL's (Deprivation of Liberties); - consent
3. Economy and Growth Schedule of decisions; - consent
4. Finance and Treasury Management; - consent
5. Immingham Community Recycling Centre (CRC). - consent

Kind regards
Councillor Paul Silvester

From: Simon Jones (Chief Legal and Monitoring Officer) (NELC)
Sent: 01 April 2020 19:04
To: Cllr Paul Silvester (NELC) <Paul.Silvester@nelincs.gov.uk>
Cc: Paul Windley (NELC) <Paul.Windley@nelincs.gov.uk>
Subject: >>PLEASE READ AND RESPOND<< Emergency Decisions
Importance: High

Councillor.

To address the COVID-19 crisis, the Council has invoked emergency powers and put in place an emergency framework of governance.

This provides for the Chief Executive to be a decision maker in consultation with Leader and PFH for Finance and Resources.

Such decisions are captured on an Emergency Officer Decision Record.

Some records will relate to a single decision, others will contain a schedule of decisions.

In the main they are key decisions, usually the remit of Cabinet, but due to urgency cannot be entered onto the Forward Plan nor the usual 28 day notice given.

There are "special urgency" provisions in the Constitution whereby emergency decisions can be made, as long as the Chair of the appropriate Scrutiny Panel consents. This is a conscious consent.

Emergencies and civil contingencies are the remit of the Communities Scrutiny Panel.

As a matter of course, once the emergency dissipates and business can return to normal, ALL emergency decisions will be referred to your panel for noting.

As a result of social distancing and isolation, wet signatures cannot be obtained.

Therefore there will be reliance on an exchange of emails to evidence your consent.

This email and your response will be subject to publication in the interests of transparency.

On behalf of the Chief Executive I therefore seek your consent to the following (attached) decisions.

1. Adult Social Care (ASC) decisions;
2. DoL's (Deprivation of Liberties);
3. Economy and Growth Schedule of decisions;

4. Finance and Treasury Management; and
5. Immingham Community Recycling Centre (CRC).

I would suggest that in your response to simply state:

1. Consent/Don't consent;
2. Consent/Don't consent.....etc with the appropriate option.

I look forward to hearing from you as soon as possible.

Regards,
Simon.

Simon D Jones,
Chief Legal and Monitoring Officer
North East Lincolnshire Council
Municipal Offices, Town Hall Square, Grimsby, DN31 1HU | DX13536 Grimsby 1|
Telephone number (01472) 324004 | simon.jones1@Nelincs.gov.uk

Borrowing Decision Record

Current Borrowing (27.03.2020)

Lender	Amount £'m	% of Total
PWLB	77.9	53.0

Market	41.0	27.9
Local Authority	28.0	19.0
LGA Bond	N/A	-
Other	0.2	0.1
TOTAL	147.1	100.0

Structure

Type	Amount £'m	% of Total
Fixed Rate (Maturity) incl LOBOs	91.2	62.0
Fixed Rate (EIP)	5.3	3.6
Fixed Rate (Annuity)	20.1	13.7
Variable Rate (Maturity)	28.1	19.1
Variable Rate (Annuity)	2.4	1.6
SUB-TOTAL	147.1	100.0
Less Fixed Rate Investments (hedge falling rates)	0.0	
Less Variable Rate Investments (hedge rising rates)	-36.8	
NET TOTAL	110.3	

This notice is drafted against a background of unprecedented uncertainty brought on by the Coronavirus (Covid-19) global pandemic, on top of trade war and oil price economic factors.

It is important to provide some examples of how that uncertainty has manifested itself in financial markets generally and LA space specifically to give context to any review in years to come.

These would include:-

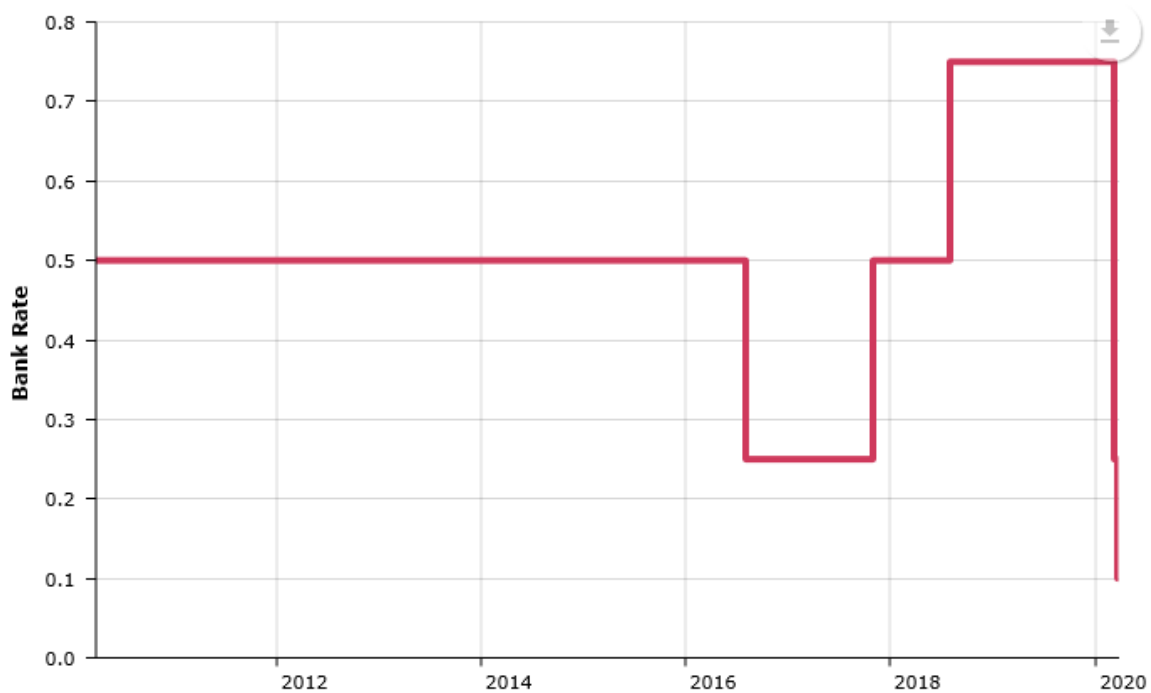
- With modelling suggesting that logarithmic rate of new cases would quickly overwhelm NHS bed and Ventilator capacity - All non-essential population quarantined in homes until mid-April at earliest. Non-Grocery and/or medical stores instructed to close. Schools closed. This is highly likely to be extended, and even when relaxed we are likely to see continued social distancing measures along with rolling quarantining until a vaccine is widely available (a phase known as 'the dance').
- Panic buying quickly emptied Supermarket shelves of 'essential' items.
- 30% fall on equity markets in a matter of days, the fastest since 1929.
- Borders closed around the World. Aircraft grounded and UK citizens abroad told to return home where they can.
- All sporting events incl the 2020 Olympics and all football tournaments postponed.
- For the first time ever, a Bank of England T-Bill Auction offering failed to cover.

- Money Markets now stabilising after initial rush to liquidity which saw extraordinary volatility right along the curve. This was a single day in the supposedly less volatile 30y Gilt 19.3.2020. The previous week the rate had been as low as 0.38%.



- Two Emergency rate cuts by Bank of England (Base Rate slashed to 0.10%) and released 100% of Banks' Countercyclical Reserves for at least 12 months.

Official Bank Rate



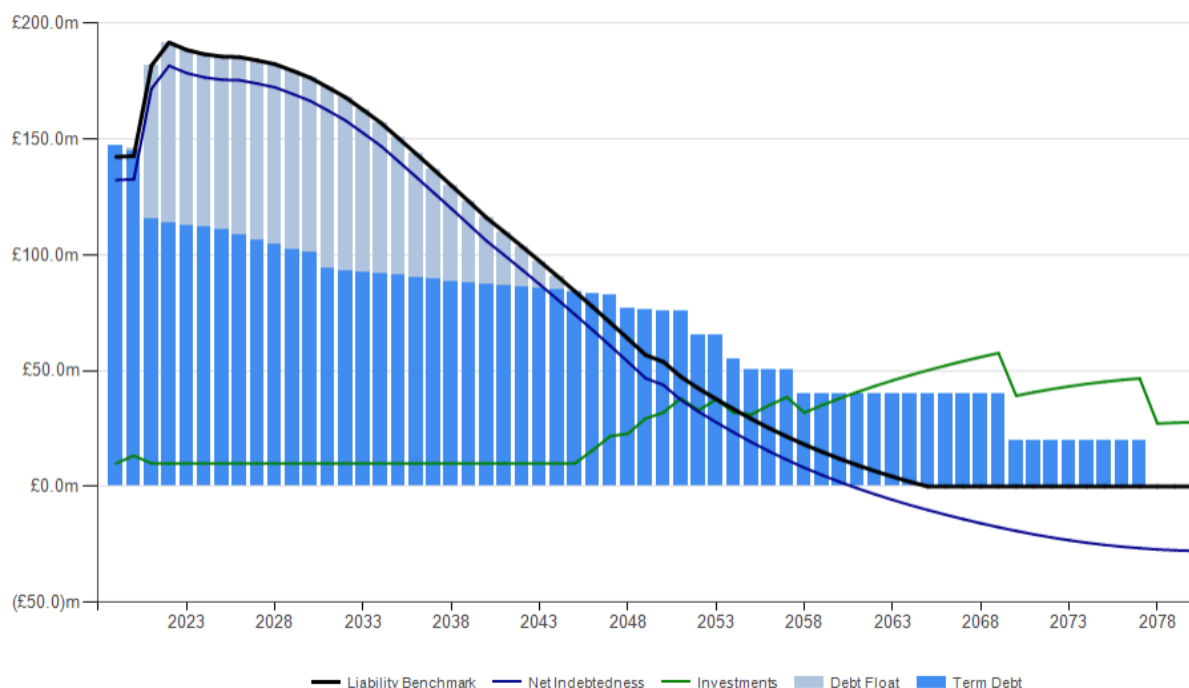
- UK Government calls for 750,000 volunteers to help NHS cope and for factories to switch production to make ventilators. Rail companies temporarily nationalised.
- Numerous Central Government stabilisation packages announced to assist workers, self-employed and businesses. Total value 15-50% of GDP.
- Significant payments to businesses channelled through Local Authorities from late March. £9m received 25/3 with £35.5m Business Support Grant confirmed for 1 April.
- Further burden on LAs not just in resourcing but also in lost income. NNDR £9m p/m expected to fall by 40%+ from 1 April. Council Tax (£7m p/m will also potentially drop dramatically). Rough estimate of cash flow impact £16m a month.
- Local Authority lending market all but dried up prior to funding arrangements being confirmed 27.3.2020 as lenders sought to protect their own cash flow.
- We managed to get some short-term (1 month) money when possible using previous decision and operating on the assumption that cash is king .
- Original strategy in that notice to borrow 1y to get to point where PWLB may have reduced their margin following consultation announced 3/20 was unsuccessful. We are unable to guarantee access to short-term funding outside of 1y PWLB.
- Nomura loan offer - lender (Pension Protection Fund) is less bullish on the deal following impact of equity falls on their portfolio diversification strategy. We continue to pursue this source nonetheless.

Short-term Cashflow Forecast (as at 27.3.2020)

Date	Net Cashflow Inflow/(Out flow)	Net Settled Deposits	Net Settled Loans	Dealing Exposure	Investment Balance
LAST NIGHTS CLOSING INVESTMENT BALANCE					26,321,551
27/03/2020	10,278,268			10,278,268	36,599,819
30/03/2020	-299,346	7,100,000	-2,359,311	4,441,344	33,941,162
31/03/2020	-3,302,218	9,400,000		6,097,782	30,638,945
01/04/2020	39,317,452		-2,000,000	37,317,452	67,956,396
02/04/2020	-2,173,637	3,300,000	9,000,000	10,126,363	74,782,760
03/04/2020	-691,822			-691,822	74,090,938
06/04/2020	-1,153,650			-1,153,650	72,937,288
07/04/2020	1,229,350			1,229,350	74,166,638
08/04/2020	356,350			356,350	74,522,988
09/04/2020	-405,963			-405,963	74,117,024
14/04/2020	-1,166,025		-113,261	-1,279,286	72,837,738
15/04/2020	4,522,648			4,522,648	77,360,386
16/04/2020	-771,758			-771,758	76,588,628
17/04/2020	-1,298,750			-1,298,750	75,289,878
20/04/2020	-1,179,826		-3,000,000	-4,179,826	71,110,052
21/04/2020	356,350			356,350	71,466,402
22/04/2020	356,350			356,350	71,822,752
23/04/2020	-2,678,350			-2,678,350	69,144,402
24/04/2020	422,550			422,550	69,566,952
27/04/2020	-1,153,650			-1,153,650	68,413,302
28/04/2020	1,456,350			1,456,350	69,869,652
29/04/2020	356,350			356,350	70,226,002
30/04/2020	-17,108,900		-14,000,000	-31,108,900	39,117,101

Includes £35.5m BEIS Business Support Grant which will be dispersed during April (no spend included as profiling not available)

Long-term Cashflow Forecast (Liability Benchmark)



The chart above (from Treasury Live) is based on our 2018-19 Statement of Accounts and a Pre-Coronavirus assumption of annual Capital spending linked to MRP.

As stated above this Decision Notice is focussed on ensure the Council's cash flow remains robust over the next few critical weeks. Whilst work done during March (securing short-term loans in a challenging market, deferring Pension Prepayment and advancing the Nomura loan) ensures we commence April in a strong position but not without risk. We have £22.5m of loan maturities in April/May and our default lender PWLB is still months away from revising their lending margin downward (although they could always take an emergency step in the face of LGA pressure but no indication on that front at time of writing).

Current TMSS has a minimum cash level set of £10m. This is to ensure adequate liquidity is always available to cover salaries and major third party payments in a normal market environment. As shown above, the current market is anything but normal and our payment expectations are also greatly amplified at a time when our income is uncertain.

The following is therefore proposed:-

1. Minimum cash balance increased to £15m (excl. Business Support Grant payments) – Rationale added buffer to support expected payment volatility. Keeps temporary cash of Business Support Grant segregated from 'Council' funds.
2. Short-term borrowing (up to 3 month max) to be taken as required up to 2020/21 CFR figure (£209m). Rationale - This ensures maximum flexibility within PIs but crucially allows for position to be unwound with 3 months if environment stabilises (through repayments)

3. This cap to be reduced by a like amount if we succeed in drawing £20m from Nomura/PPF and/or take 1y PWLB if LA market continues to be dysfunctional. Rationale – ensures access to funding without double counting of internal borrowing position
4. Position to be reviewed at end April. Rationale – added flexibility should have added oversight.

Our Authorised Borrowing Limit for 2020-21 is £280m, the Operational Boundary is £240m. As current borrowing is £147m neither are breached as a result of this decision. Our variable rate limit is 60% (£88m) of which we have used £28m (all borrowing less than 12months being classed as variable rate). The S151 Officer can therefore approve this tranche of borrowing.

Reason for chosen Lender (Nomura/PPF)

Since PWLB increased their rates in November we have held several discussions with potential alternate long-term lenders and progressed the above option.

Legal Documentation has now been reviewed by Bevan Brittan and final changes are being progressed by lenders legal team. Bevan Brittan's general view was that terms were more generous than typical.

Margin of 140bps above gilts has been agreed which we know is competitive from other indicative offers. As we have indicated a desire to take the loan on a 30y straight line repayment basis the actual rates will be c10bps lower.

Nomura have responded to our questions around what makes the deal attractive for them satisfactorily.

1. What's in it for Nomura?

a. What makes this loan attractive from bank's viewpoint? Similar question if third-party investors are involved.

Nomura views this as an opportunity to utilise our broad range of relationships with institutional clients (insurance companies and pension funds) developed through many years of client coverage to provide an efficient borrowing platform for UK local authorities for a financial return. We see our value-add as diversifying the borrowing options for UKLAs, as well as structuring loan documentation that recognises the specific needs of the local authority sector, and hence eases the process (for follow up transactions at least) for a local authority borrower such as NELC. The opportunity to use this connectivity to originate and distribute the loan to a natural holder of long-dated risk (for a fee) is attractive to Nomura.

The loan is attractive to many UK real money investors such as insurers and pension funds (with whom Nomura maintains strong relationships) who are looking for long-dated illiquid credit assets (including semi-sovereign debt issuers) to match against their liabilities. The relative scarcity of long-dated high quality credit assets given the lack of long-dated corporate/SSA debt issuance in GBP adds to this rationale.

b. Is margin consistent across the sector or NELC specific?

Nomura (and Nomura's end investor clients) view each local borrowing application on a case-by-case basis and make reference to a number of factors when determining the appropriate margin for the loan. This includes analysis of where the local authority borrower compares vs sector peers across a range of credit metrics (such as total leverage, GVA per capita, Debt as a proportion of operational revenue and other Moody's methodology criteria). By way of example, Nomura would anticipate the margin on loans offered to local authorities that compare favourably vs NELC on select metrics (e.g. Westminster, Kensington & Chelsea) to be inside the margin on this loan, and vice versa for those comparing unfavourably (e.g. Blackpool).

c. **When looking at transfer or syndication, how would outright rate movements, a flattening or, conversely, a steepening of the yield curve affect the loans value?**

As the loan is a fixed rate instrument, an increase in rates will decrease the price of the loan. Most of the risk of the loan is at maturity, so the loan price will be most sensitive to movements at this point on the curve, ie. an increase here will almost certainly mean a decrease in loan price (regardless whether it's an outright increase, or part of a steepening or bear flattening). The amortiser version of the loan has a little more risk at shorter tenors of the curve, so it is more likely that there are cases where a steepening (with the front and middle of the curve decreasing significantly) might result in the loan price increasing. It should be noted though that even for the amortiser most of the risk is at the backend, so the main driver is still long end rates.

d. **What are the key elements of return for the bank and how will it seek to protect those returns?**

In relation to this transaction, Nomura's return will be purely fee based, for a fixed amount, payable on execution of the loan

e. **If, as a major market participant, the Bank is involved in transactions elsewhere that could potentially impact the level of return available to it from this transaction what safeguards are in place to ensure conflicts of interest are managed?**

As per the answer in the previous question, our return is a fixed fee payable on execution, so no issues in this regard.

f. **What happens to the loan should Nomura (or any subsequent transferee) become insolvent?**

Nomura Legal does not see a concern on behalf of the borrower with regards to the lender becoming insolvent. Following the disbursement of the loan to the borrower, the borrower would simply need to comply with its payment obligations. There would be no acceleration of the loan or other changes though an insolvent (or different) lender may be less co-operative on loan amendments. Please note that Nomura cannot provide advice on this point and would suggest that NE Lincolnshire discuss with their counsel should they have any concerns. We would be happy to have a follow up call if helpful.

2. **What are the fee flows resulting from this transaction if it goes ahead at £20m**

Nomura will be making a payment to PSL for introducing us to this borrowing application and opportunity. The fee to PSL will be £15k. Nomura will be receiving a fee from PPF for arranging the transaction, structuring the legal documentation and distribution of this opportunity. The fee from PPF will be £75k.

3. What assurance is there that additional sums will be available to us in future?

While Nomura cannot guarantee an open line of credit to NELC, Nomura is viewing the initial trade as a means of opening up a wider platform for follow-up lending transactions. NELC has been thoroughly assessed by Nomura from a due diligence perspective and Nomura is keen to build on the relationship with NELC with additional lending. The de minimis fee income earned by Nomura (relative to costs and adviser fees) for this transaction should provide additional comfort around Nomura's intention to provide additional sums to NELC in the future.

4. Have Nomura placed any lending limit on NELC as a counterparty?

No. Given the mechanics of this initial loan transaction (Nomura onward distributes the loan to the PPF via a transfer agreement at the time of signing the loan sale agreement), a lending limit has not been placed on NELC.

Simon Freedman

Head of UK Solutions, Global Markets
Nomura
1 Angel Lane

London EC4R 3AB

Phone: +44 20 7103 5273

Email: simon.freedman@nomura.com

Subsequent response from BB

I think that Nomura's responses to your queries answer them adequately and can be accepted by the Council. As regards the query at paragraph f. I agree with Nomura's response. As you are drawing the full amount of the loan on completion, there is little risk to you if the Lender goes insolvent. Nomura is correct in stating that the insolvency of the lender is not an event of default and does not entitle whatever entity takes over the loan to accelerate it.

Hugo Stephens | Partner

for **Bevan Brittan LLP**

We have considered the possibility that Nomura may be misrepresenting these responses and other terms. Their responses have been reviewed by Bevan Brittan as above and we have found Nomura to be transparent and forthright in all our dealings thus far and so believe there to be no misrepresentation.

With the Pension Protection Fund being the end investor, having satisfied themselves with our credit and agreed legal terms this option opens up an alternate to PWLB who can transact in significant size and with minimum lead in in future, should we wish to take further loans prior to PWLB margin adjustment.

We have considered the option of deferring all borrowing until PWLB adjust their margin but as we do not know when, and by how much, this will happen, in a volatile rate environment we see value in taking the reduced margin available from Nomura/PPF now to remove that interest rate risk on our sizeable internal borrowing position.

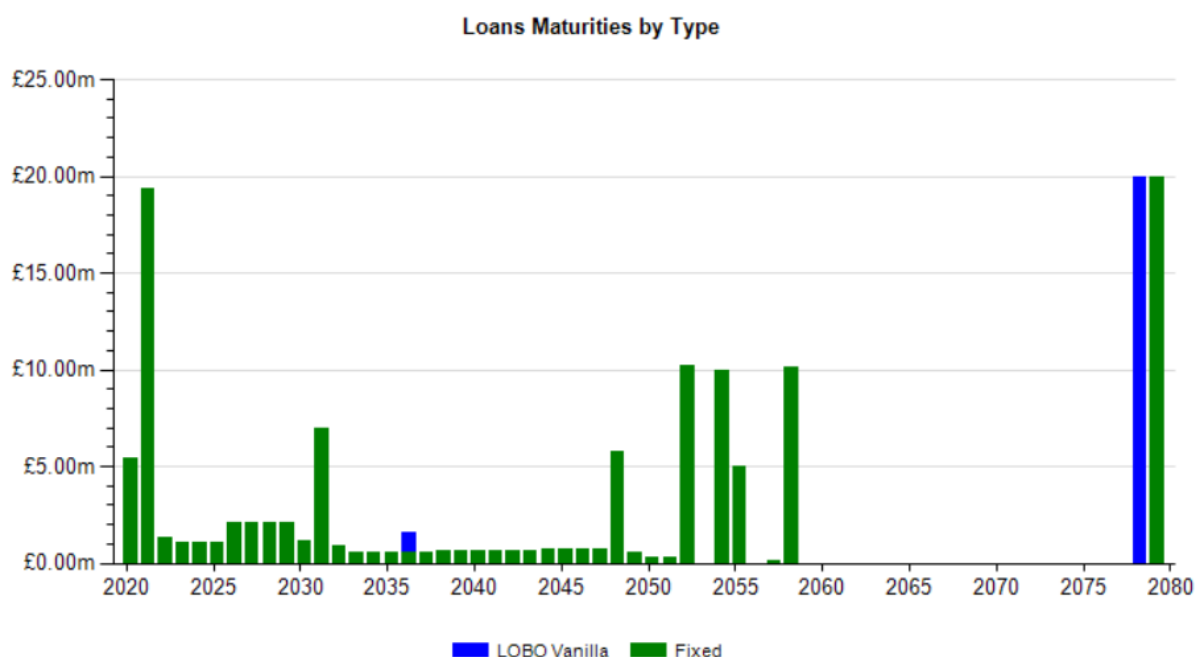
Commissions payable for short-term Local authority loans range from 4-10bps.

Fees are payable to PWLB are £0.35 per £1000.

Fees with Nomura are £48,000 up front (on £20m) to Tullett Prebon brokers. Details of other fee flows on the transaction have been confirmed by Nomura above and are in line with these.

Reason for chosen type of loan and term

Our current loan maturity profile is shown below



Our portfolio remains weighted toward the long end (average life 29.45 years) and is predominantly fixed, maturity profiled. We will continue to seek to maintain a proportion of borrowing on short-term in the current (neutral) rate environment. This provides an element of portfolio balancing whilst retaining the flexibility benefits referred to above. However, in order to manage future interest rate risk a term of around 30 years provides a reasonable balance between certainty of cost and future cost of carry (See Liability Benchmark). Doing this long-term element on EIP/Annuity profile (where available) spreads the maturity risk and is the preferred structure, however all types of repayment profile will need to be considered while the market is restricted in terms of offering.

Confirmation

Having evaluated need, risk, alternatives and value-for-money factors I confirm the proposal to borrow as set out above.

sen/rod

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Director of Resources and Governance/S151 officer

30th March 2020