

10 May 2010

M Ireland
Head of Financial Planning and Business Strategy
Brighton & Hove City Council
PO Box 2500
King's House
Grand Avenue
Hove BN3 2SR

Dear Mark,

TREASURY MANAGEMENT SERVICES – MANDATE LETTER

Butlers formally sets out below the service it will provide to Brighton & Hove City Council, together with the level of fees chargeable.

a) *Financial Overview*

The service will incorporate a complete overview of the Council's financial position with regard to its strategy and objectives. This will include an analysis of the Council's Balance Sheet and relationship of borrowing to the Capital Financing Requirement. We also examine future years' forecasts and the implications for the overall level of the Council's debt and investment portfolios. This regular review would be the starting point for the formulation of a suitable annual treasury management strategy for the Council.

b) *Interest Rate Forecasting and Economic Information*

- i) Daily forecasts of PWLB rates and imminent changes will be given to the Council, with particular regard to the agreed underlying strategy. We will also be available to discuss market conditions and trends affected by economic, fiscal and political factors as they relate to interest rates.
- ii) A weekly newsletter and diary of events will be provided.
- iii) A monthly newsletter will be issued.
- iv) A quarterly "Economic and Interest Rate Forecast" bulletin will be provided. These forecasts will include the outlook for base rates, short term money rates and long term yields. Longer term projections will also be provided.
- v) An annual economic review which forms the base upon which strategies for future financial years can be established.

Butlers

2 Broadgate, London EC2M 7UR Telephone: 020 7000 5900 Fax: 020 7000 5912
www.butlerasset.com

c) *Portfolio Structure and Volatility*

Consideration will be given to the amount of variable rate debt that the Council may have at any one time, dependent upon current and future interest rates, and upon the recommended structure of the debt portfolio. A detailed analysis of the debt profile will also be provided.

d) *Borrowing Strategy*

Advice on borrowing strategy will be given with respect to the following considerations:

- i) The most appropriate level of debt in relation to the Council's balance sheet.
- ii) The timing of borrowing in the context of future expenditure plans and the prospects for interest rates in the short and medium term.
- iii) The optimum term of new debt, taking into account the existing debt maturity profile, the shape of the yield curve and likely changes in the structure of long-term interest rates in future years .
- iv) The most advantageous sources of funds – the options offered by the Public Works Loans Board and structures available in the financial markets.
- v) Information on new developments, both regulatory and market related.

e) *Debt Restructuring*

The service will comprise the following:

- i) A review of all existing PWLB, market and any other large external loans to ascertain the most financially beneficial loans to repay taking into account the Council's situation and requirements.
- ii) A calculation showing the savings resulting from any transaction undertaken, and the underlying implications arising from the Council's housing subsidy entitlement.
- iii) Monitoring of the loan portfolio to ensure the authority is kept fully informed of opportunities to refinance existing debt.
- iv) Information will be provided on the accounting treatment the Council should adopt to satisfy both regulatory and statutory obligations.

f) ***Technical Advice***

We will provide information on a broad range of Capital Finance matters arising from the Local Government Act 2003 or other legislation. The Council will be kept informed of any new or revised legislation or other material arrangements which may provide some benefit, and of any material associated accounting arrangements. This will include receipt of our Capital Watch and Housing Watch publications.

g) ***Treasury Management Policy and Strategy***

Butlers will assist the Council to produce its annual treasury management strategy report and stewardship statement together with any changes in the Treasury Policy document. These documents will be reviewed on a regular basis. Model treasury strategy, prudential indicator, investment strategy and annual treasury stewardship reports will be provided.

h) ***CIPFA Code of Practice and the Prudential Code***

Information, assistance and recommendations will be provided regarding documentation required to meet all CIPFA and statutory Treasury Management requirements, and the associated aspects of the Accounting Code of Practice.

i) ***Butlers Website***

Butlers will provide the Council with full access to the company's website at www.butlerasset.com, which will provide a comprehensive source of information, daily updated PWLB forecasts and occasional technical papers.

j) ***Investment Policy***

- i) **Funds Managed Internally** – guidance will be provided with respect to the “in-house” management of investments, giving due regard to our economic analysis and near and medium-term interest rate forecasts. General advice with respect to categories of investment instruments, periods and amounts of investment will be provided. A weekly Newsletter dealing specifically with this subject will be delivered electronically.
- ii) **Credit Ratings** – Butlers will maintain a constant review of the ratings given to Council's investment counterparties by the major credit rating agencies. Summaries of credit ratings will be supplied and updated where changed. The Council will be advised of any changes to these ratings and the implications of these for its list of investment counterparties.

l) *Review Meetings*

Butlers will arrange and attend strategy review meetings which will be held twice a year.

m) *Training and Seminars*

Places at our regular seminars and Basics of Treasury Management training days will be made available to the Council free of charge. Where training is a chargeable item, the Council will be offered places at preferential rates available to clients.

n) *Help-line Facility*

General ad-hoc advice on all other treasury management issues will be provided so long as the provision of this service remains within reasonable bounds. Where additional work is required, it will be identified, agreed in advance and charged separately.

o) *Confidentiality*

The Council shall not divulge, disclose, dispose of or part with possession, custody or control of any documents, material or other information (in whatever form) prepared, supplied or obtained for, or pursuant to, this contract.

The Council must use its best endeavours to prevent the publication or disclosure by any other person of any trade secrets or other confidential information. This restriction shall apply indefinitely, but shall cease to apply to information that has come into the public domain other than by way of a breach of this clause.

p) *Intellectual Property*

The Council agrees not to cause or permit anything which may damage or endanger the intellectual property of Butlers or Butlers' title to it or assist or allow others to do so.

q) *Fees*

Fees will be invoiced on the following basis:-

£16,500 year 1
£16,500 year 2
£16,500 year 3
£17,000 year 4
£17,500 year 5

plus VAT for the period 1st December 2009 to 30th November 2014.

Both parties have the option to terminate the contract at the end of year two, and annually thereafter, by giving three months written notice.

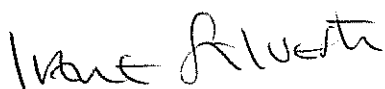
r) **Status of Mandate**

This Mandate Letter is supplemental to and should be read in conjunction with the ICAP Standard Terms of Business EMEA & Asia (the "TOBs"), a copy of which is enclosed and may also be found at: <http://www.icap.com>. In the event of any conflict between the two, the terms of this Mandate Letter shall prevail.

In particular, your attention is drawn to Clause 1.6 of the TOBs which states that, unless agreed otherwise, we will not provide you with specific advice or personal recommendations. Consequently, you acknowledge that you enter into any transaction solely on the basis of your own judgment as Professional Clients.

I trust the above terms are acceptable and I would be grateful if you would signify your acceptance by signing the enclosed copy of this letter and return it to me.

Yours sincerely



IRENE SILVESTER
CHAIRMAN



I hereby accept the terms for the Treasury Management Services
Authorised Signatory – Brighton & Hove City Council

MARK REILLY
16th April 2010

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