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BUTLERS

DAB

20th March 2006

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 Mr Ireland,

TREASURY CONSULTANCY SERVICE

Butlers formally sets out below the service it will supply 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 would include an analysis of the Council's Consolidated Balance Sheet and relationship of borrowing to the Capital Financing Requirement. We also examine future year's forecasts and the implications for the 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 Advice*

- (i) Regular forecasts of PWLB rates and imminent changes will be given to the Council, with particular regard to the agreed underlying strategy. Continuous updates on market conditions and trends affected by economic, fiscal and political factors will also be provided.
- (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.

Butlers

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

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Registered Office as above Registered in England & Wales 500777

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) *Debt Restructuring*

- (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) Advice will be given regarding the accounting treatment the Council should adopt to satisfy both legal and statutory obligations.

e) *Technical Advice*

Advice will be available on all aspects of Capital Finance arising from Local Government Act 2003 or other legislation. The Council will be kept fully informed of any new or revised legislation or other arrangements which may provide some benefit, and of any associated accounting arrangements.

The Council will be kept updated on developments by CIPFA with regard to the Prudential and Treasury Management Codes.

The service will also incorporate advice on capital and housing finance issues, including any specific project developments which the Council may have. Advice on these other services will be provided within reasonable bounds. More complex studies involving written reports can be provided, and quoted for separately.

f) *Treasury Management Policy and Strategy*

Butlers will assist with the 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.

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

Butlers will provide advice, assistance and recommendations regarding documentation required to meet all CIPFA and statutory Treasury Management requirements. This will include the CIPFA Code of Practice and potential documentation related to the introduction of the Prudential Indicators.

h) *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.

i) *Investment Policy*

Advice will be given with regards to the implications of investing funds internally. In conjunction with our interest rate forecasts we will provide advice on the period of investment.

j) *Credit Ratings*

Where funds are invested externally, advice will incorporate an initial assessment and constant review of the credit rating of counterparties selected by the Council. Monthly summaries of credit ratings will be supplied. Advice will also be provided immediately of any changes to these ratings.

k) *Review Meetings*

Two strategy review meetings will be held each year.

l) *Training and Seminars*

Places at our regular seminars and training days will be made available to the Council free of charge.

m) Help-line Facility

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

n) Fees

Fees will be invoiced on the following basis:-


Year 1	£14,250
Year 2	£14,750
Year 3	£15,250

The above fee structure covers the period from 1st December 2005 to 30th November 2008. An option to extend the terms of this agreement for an additional two years is available, this to be agreed by both parties in advance.

All prices exclude VAT.

I trust the above terms are acceptable and I would be grateful if you would signify your acceptance by signing below.

Yours sincerely,



IRENE SILVESTER
MANAGING DIRECTOR

.....
I hereby accept the terms for the Treasury Consultancy Service
Authorised Signatory – Brighton & Hove City Council

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