Welcome to Butlers

We are delighted to provide you with details of our treasury services. We are justifiably proud of their quality, a fact that is supported by the positive feedback from our recent client survey as well as the steady growth in our client base. New and existing clients value our detailed and proactive support and our prompt and comprehensive response to any local issues.

We have built a dedicated team of qualified and experienced treasury experts, who have worked together and developed our service to be the best in the local authority market. As our client base has grown we have been careful to expand our team with experienced colleagues to ensure our service covers fully the regular issues of treasury management and adapts to meet each new challenge that faces you.

We hope that once you have read our service details and met members of our team you will choose to work in partnership with Butlers.

Client Satisfaction

Don’t just take our word for it; this is what our clients say:

- ✓ “**Proactive and professional service**. Seminars and material produced on prudential code were first class and very much appreciated.”
- ✓ “The **interest rate forecasts** and investment advice is always particularly appreciated. Recently the advice received on the **debt repayment** exercise which this Council undertook, and the new prudential code, was very helpful.”
- ✓ “Butlers staff are **readily contactable** and provide advice and help in a pro-active way which meets our needs”
- ✓ “Butlers staff have always provided **prompt service** and, if necessary, have come back promptly having found out answers to queries”
- ✓ “I find the support provided **extremely helpful** – there is always someone to turn to!! In the event a query can’t be answered immediately someone will always phone or e-mail a reply very promptly.”
- ✓ “**Far more proactive** than other advisors”

Delivering a Quality Service

- ✓ **A highly stable team of experts ensures consistency in quality of advice.**
- ✓ **Unrivalled depth of technical knowledge.**
- ✓ **One client manager, providing a link to timely advice from the whole team.**

Delivering a quality service is key to providing an excellent treasury management advisory service. **The user friendliness and timeliness** of the provision of advice is paramount to achieving the desired strategy.

The Butlers team consists of specialists in key areas, all of whom are registered with the Financial Services Authority. The **balanced make-up of the team** ensures a thorough and complete analysis of our clients' current and future positions. The entire team is located in one office. This ensures all issues are discussed openly and vital knowledge is gained by all.

Each client has a **dedicated contact**, who ensures the service is being delivered in the best possible manner. This is the tip of the iceberg. Clients also have access to the whole team depending on which area they need particular advice on.

The service is provided in a number of different ways:

- Regular phone contact by client manager
- Regular strategy meetings
- Provision of timely information via regular publications
- Seminars and training provide a valuable source of information
- Website

Clients have access to the team's wealth of knowledge and experience through the **Technical Helpline facility**. This ensures clients can always phone up and speak to a relevant specialist. This is an aspect that clients, particularly new, value highly.

Regular strategy meetings are held with clients, the structure of which are agreed in advance via the provision of agendas. The strategy meetings are an **invaluable stage in developing the agreed strategy**. Minutes of meetings are provided; these ensure that the agreed aims and objectives are noted formally. The minutes are then used as a check to ensure that all agreed actions are taken in a timely manner.

Working In Partnership With Butlers

- ✓ **Butlers provides comprehensive support to a growing client base.**
- ✓ **Butlers is proactive and responsive to client needs.**
- ✓ **Butlers has retained an experienced and motivated team, delivering a quality service.**

Butlers has been working in **partnership** with local authorities since 1991. The quality of our service is demonstrated by our steady client growth and high retention rates.

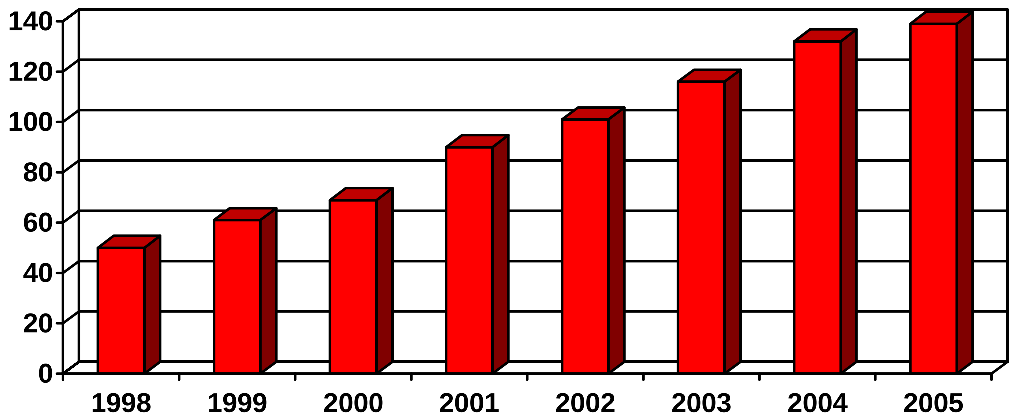
ICAP, Butlers' parent company, is the world's largest interdealer broker. Butlers can draw **upon extensive financial information**, including, amongst others, access to ICAP's analysis of the gilt-edged market and investment counterparties and up to the minute financial information on market events. Butlers works independently and ensures complete confidentiality by operating 'Chinese Walls' and through regulation by the Financial Services Authority.

The **client base has been increasing** steadily, as shown in the graph below. The ratio of staff to clients has been maintained around 1:12, ensuring that client contact and support is always at a high level.

All members of the Butlers team have **extensive experience** within their specialist areas. Seven CIPFA members with detailed understanding of local government, obtained through employment at local authorities and membership of various working parties, ensure quality advice is delivered sensitively.

The debt and investment specialists have **widespread knowledge** and experience of the financial markets. This ensures clients receive relevant and timely advice on the management of debt and investments and the wider treasury management implications of actions.

By working in partnership with the Council, strategies are formulated by drawing upon the extensive knowledge of the team and local issues. This is a **vital step towards formulating a unique strategy** that meets the Council's financial objectives.



Our Approach to Treasury Management

- ✓ **Full financial appraisal, including review of the balance sheet.**
- ✓ **Evaluation of both the local and wider environment when formulating a unique strategy.**
- ✓ **Constant monitoring of strategy and contact with client promotes a proactive approach.**

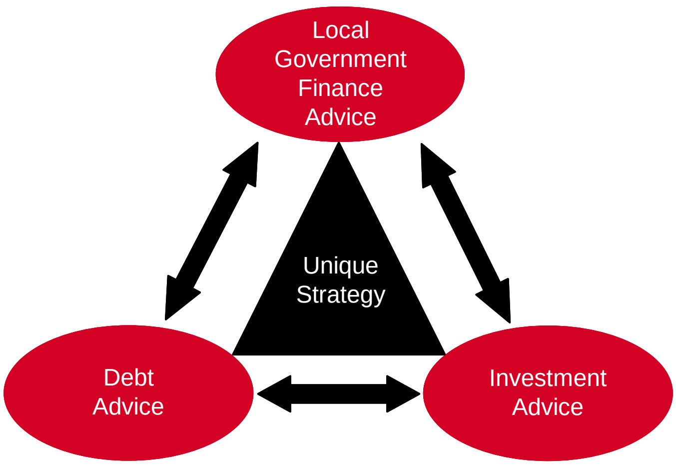
Treasury management is the management of cash and working capital, including both short term cash and long term funds. To understand the full picture and identify all the issues it is essential to do a **thorough financial appraisal**, including a detailed analysis of the balance sheet.

When approached by a new client a thorough financial appraisal is undertaken. This identifies the client's current position, taking into account the **structure of the balance sheet** and the relative position of both debt and investments (where relevant).

In addition to the financial appraisal, a **compliance review** is undertaken. This involves reviewing the Council's documentation, comparing it with the exact requirements of statutes and regulations and providing an independent assessment.

From the initial financial appraisal, the base position can be identified and a **unique strategy** is agreed. To formulate this strategy Butlers uses a 'three pronged approach.' This is depicted below.

This approach identifies how changes in any one area affects the others. It takes into consideration local issues and how these affect the Council's goals and assists in formulating the unique strategy. **Regular strategy meetings** and contact by phone ensures the strategy is monitored and reviewed constantly to enable any changes in circumstances to be taken into account.



Initial Financial Appraisal

- ✓ **Understanding the balance sheet provides an essential base for sound treasury management.**
- ✓ **Strategic decision making and regular reviews enable effective action.**
- ✓ **This process identifies the availability of resources and the need for borrowing and forms the basis of a suitable treasury management strategy.**

The analysis of the **balance sheet** identifies the cash and non-cash items, illustrating the relationship between:

- Borrowing requirement and actual borrowing
- Resources available for investment and actual investments

These relationships are not always understood by local authorities.

The introduction of the **prudential system** has increased the importance of understanding the balance sheet. The prudential system established the concept of the capital financing requirement (CFR), which provides an indication of the Council's external indebtedness.

The CFR, one of the **prudential indicators**, is important as it forms the basis for the Council's strategy. This places increased importance on the understanding of the transactions behind the balance sheet. Butlers' assistance to clients in this area is well respected.

The balance sheet is also used as the base for the revenue charge (MRP) for the provision for repayment of general fund debt. Therefore, **accuracy** is important to ensure the charge is correct.

Moving into the prudential system has introduced the "A" factor, which is used in the MRP calculation. The calculation of the "A" factor has highlighted a number of issues that have caused concern. Butlers has been in contact with the relevant organisations in order to identify a way forward that provides an acceptable solution to local authorities.

Local Government Advice

- ✓ **Our team of CIPFA professionals is always available to provide advice on key issues in capital and housing finance (including housing stock management options, leasing, performance management and best value) and capital and treasury management accounting.**

- ✓ **Butlers are market leaders in providing capital finance advice due to the depth of knowledge and experience within the team.**

- ✓ **Setting our services in the context of a Council's overall financial situation ensures a comprehensive treasury management service.**

An understanding of the local government finance environment is extremely important when formulating a treasury management strategy. The **statutes, regulations and accounting rules** are paramount and can often determine how and what debt and investment transactions are undertaken.

Over the last five years, Butlers has built a dedicated local government finance team. This has enabled Butlers to respond quickly and efficiently to changes in the regulatory environment and disseminate information in a **timely and understandable** manner to clients.

Our detailed advice identifies both **housing and non-housing** aspects and includes how the two interrelate, especially in terms of treasury management transactions and how decisions affect the client's overall financial position.

Regular publications (Capital Watch and Housing Watch) are circulated to clients providing detailed information on changes and are valued as an **accurate source of information**, written in an easy to understand format.

Over the last 12 months the emphasis of the strategic service required by clients has moved to include looking at **accounting transactions**. Butlers has increased its knowledge in this area, which has included looking at the Guidance on the Statement of Recommended Practice (SORP) and identifying changes that not only affect treasury management but also the balance sheet.

Butlers can also **provide advice** on other aspects of local government capital finance, including leasing and housing stock management options.

Economic Forecasting and Interest Rates

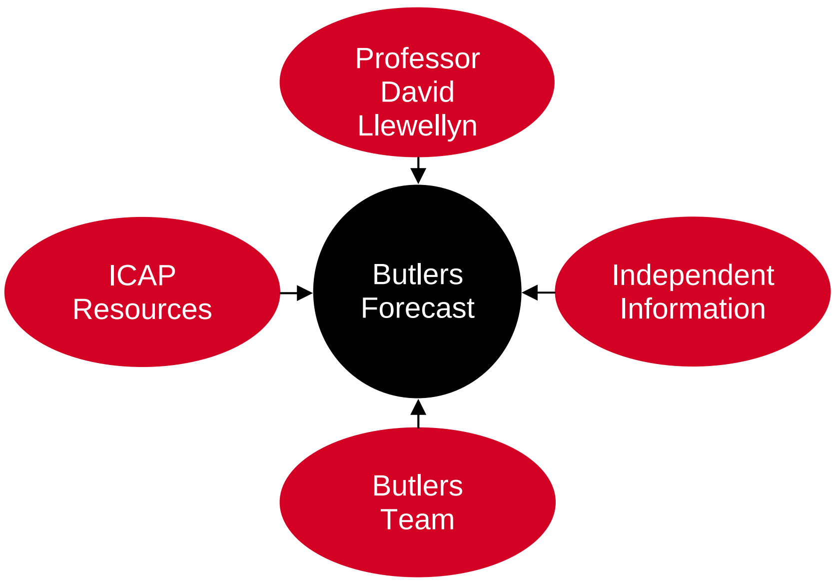
- ✓ **The accuracy and reliability of our forecast is fundamental in the achievement of successful investment and borrowing strategies.**
- ✓ **Critically important is the fact that the research has not been produced for institutional investors, repackaged and passed on to clients as bespoke analysis.**
- ✓ **The basis is provided by our independent consultant, Professor David Llewellyn, Head of the Money and Banking Faculty at Loughborough University.**

Butlers **economic and interest rate forecasts** are fundamental to the creation of each client's unique strategy. This has enabled clients to maximise opportunities in both their debt and investment strategies.

Our comprehensive forecasts are based on the views of our **independent consultant** David Llewellyn. This means that the forecasts are produced solely for clients and are not a reconstitution of information meant for other types of customer.

The forecast process also incorporates other independent information from various financial and forecasting bodies (for example Capital Economics) as well as using the **extensive ICAP resources** such as its bond research department.

The other key to the service is the **tailored and readable publications** produced by Butlers' personnel. These range from a daily economic comment to an annual review; the latter forming the base upon which strategies for future financial years can be established.



Debt Management

- ✓ **Our proactive approach has undoubtedly led the industry.**
- ✓ **It has enabled clients to achieve substantial financial benefits, manage risk and helped relieve pressures on stretched budgets.**
- ✓ **We identify opportunities arising from changes in the shape of the yield curve as well as shifts in the overall level of interest rates.**

Through **continuous monitoring** of debt portfolios, via sophisticated modelling, Butlers' clients are given the opportunity to make the most of prevailing and future economic conditions. Regular strategy meetings are held to discuss individual objectives. Each client's differing positions are given due consideration to ensure strategic objectives are met.

Within a defined and agreed debt management strategy, decisions can be fine-tuned taking into account the daily changes to PWLB rates. Clients have continuous access to our **PWLB forecast** through our monitoring service which provides an online, up-to-the-minute PWLB rate indicator, as well as regular phone contact. We provide advice not only on the timing of borrowing but also the type and sources of borrowing.

Alongside borrowing, the other significant part of a successful debt management strategy is the rescheduling of existing loans – including both PWLB and market debt. The successful execution of these transactions can produce **substantial savings** for clients. Our proactive approach ensures that client debt portfolios are at the optimum levels and that the profile of debt is one which suits their own individual need.

Clients will be provided with a **detailed financial analysis** of current opportunities. This is discussed extensively prior to any action being taken. These will take into account any implications for the General Fund and, where relevant, the HRA.

As part of the debt strategy, we will also discuss **performance indicators**, possible alternatives and assess activity against these indicators. These can form part of a review of the performance of the debt operations over the year and can be delivered to clients in a formal report if required.

Counterparties and Credit Worthiness

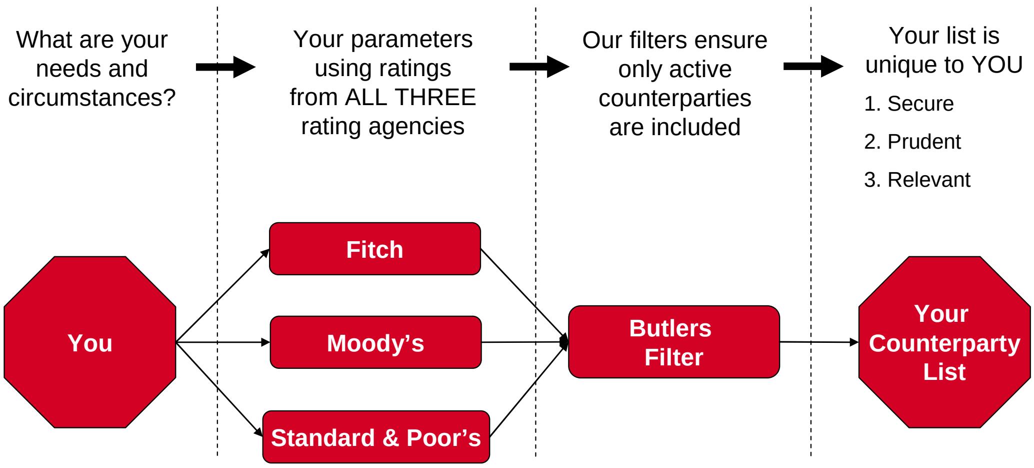
- ✓ **Each client is considered individually. Counterparty lists and Annual Investment Strategies are tailored to their specific requirements.**
- ✓ **Counterparty information is gathered from a number of sources, in particular the main rating agencies, investment bank research and the major newswire services.**
- ✓ **The Butlers service ensures that risk is clearly defined and identified as well as being comprehensively managed.**

Butlers provides advice on the composition of clients' Annual Investment Strategy. The initial review of the strategy will ensure **compliance** with the current regulations. However, circumstances can often change during a particular year and when they do the Strategy will receive more than just an annual "health check".

Our counterparty service ensures that the level of **risk** taken when investing surplus funds is clearly defined as well as comprehensively managed. Each of our clients is unique and therefore requires an individual counterparty list to suit its particular needs. The diagram below shows how the tailor made counterparty list is constructed.

Our database system has live feeds from all three rating agencies. This means that client counterparty lists are always **accurate** and that clients will receive an immediate email notification of any change affecting their list as soon as it is actioned by a rating agency.

Furthermore, as part of the world's largest money and securities broker, Butlers is unique in having first hand information on the institutions that are **active in the sterling market**. We also have regular dialogue with the ICAP Credit Department which makes independent assessments of all financial institutions with which ICAP conducts business.



Internal Investment

- ✓ **Our advice is customised for our clients, not a "one size fits all".**
- ✓ **Our internal investment advisory service promotes security and optimum returns.**
- ✓ **Butlers Weekly Investment Monitor gives clients a regular update of market developments and opportunities**

Our internal investment advice flows from our successful economic forecasting. The service (highlighted in the Weekly Investment Monitor) **outlines opportunities** across the yield curve from a short term perspective. This is compiled from an independent forecast from David Llewellyn, our economics consultant and our in-house team.

The Weekly Investment Monitor reviews current market rates and compares these with our forecast. This **identifies value** in the yield curve, from short dates to rates up to 5 years. In addition, it assesses recent and forthcoming data releases and integrates them into our recommendations. It also gives details of any recent credit rating changes.

The client managers' **knowledge and understanding** of their client's needs and position ensures that internal funds are invested to the best advantage of the client. This proactive approach mirrors other aspects of our Treasury Management Service, combining our broad expertise to optimise investment decisions. The client managers speak to their contacts on a regular basis to give specific investment advice and discuss products available and their fit for purpose.

Internally-managed funds might only be short term, cash flow funds which will be invested for periods up to one year. However, even in this part of the yield curve, there are **various options** available to clients. The use of term deposits versus bank call accounts and money market funds is a constant debate and our experience, market understanding and excellent forecasting record, enables us to provide the right advice on a continuous basis whatever the market circumstances.

The introduction of Investment Guidance in England and Wales has introduced a **new range of investment opportunities** for many types of council. Butlers has been responsive to these changes, providing detailed technical papers on the changes and assisting clients with the formulation of their Annual Investment Strategy. We have also been active in investment training, including the use of longer-dated instruments. Our Weekly Investment Monitor provides advice on the value of longer term investments, such as bonds, investment funds and the various individual market instruments proposed by financial institutions.

Our **regular contact** with fund providers and the major financial institutions enables us to keep abreast of new investment products available to Local Authorities. We assess their suitability, in terms of risk versus return, for use with current and future strategies. This is particularly important for those clients who wish to utilise the new freedoms within the Guidance, including corporate bonds, property and equities, where the risks increase. We undertake detailed strategy meetings with clients to ensure they are fully aware of the risks and returns involved.

External Investment

- ✓ **We have very wide experience in the selection of fund managers best suited to meet a client's needs.**

- ✓ **The fund manager monitoring service involves the provision of regular, individual reports which facilitate the dissemination of information to officers and members.**

- ✓ **Butlers also maintains a comprehensive statistical database against which performances can be monitored.**

The use of external fund managers has continued to grow in recent years. Higher and more stable levels of surplus funds have allowed local authorities to **enhance their investment returns** over the medium term by using these types of manager. Butlers has a wealth of experience in helping clients in the selection and reselection of fund managers and also the monitoring of their fund's performance.

As with other aspects of the service, the key to the successful appointment of a **fund manager** is dialogue. Through detailed initial discussions with clients, the Butlers team will have a clear idea as to their position and can then recommend an initial list of suitable managers. As part of the initial process, Butlers will provide draft documents for the preliminary stages of the tender process.

Butlers' clients value a **hands-on approach** to the (re)selection of managers. Fundamental to this is the analysis of the manager responses. This produces a reader-friendly document with a précis of each submission as well as statistical analysis of elements such as performance and fee levels. A member of the team will also be available to attend selection interviews to provide independent guidance. Butlers will also review the appointed fund manager's formal mandate letter and proposed counterparty arrangements.

The fund manager monitoring service is **wide ranging and flexible** enough to meet individual client's particular needs. Review timing ranges from quarterly to a full annual document. The reports can form the basis of any required presentation to members. These contain performance analysis relative both to the specified benchmark and to the fund management industry.

The monitoring service encompasses our attendance at meetings between clients and their fund managers. We will also make an assessment of their annual strategy in light of our own economic forecasts. In addition, we can provide **impartial advice** on new instruments and management techniques that may be proposed by external managers.

Training and Seminars

- ✓ **Seminars / training are held throughout the year on a regular basis.**
- ✓ **Comprehensive training programmes are exclusive to clients.**
- ✓ **Training covers a wide range of areas and expertise.**

Our training and seminar programmes are an important part of our service, and are there to **enhance the advice** you receive from us on an individual basis.

We have **regular seminars** held throughout the country, which are specifically located for ease of access.

The training **supplements and enhances** the technical documents circulated, for example, Capital Watch, Housing Watch and Investment Weekly.

Training covers:

- Basic training
- The Prudential Code – application and implementation
- Advanced training for more experienced staff
- In-house specialist training

These courses can also be held locally and are therefore **tailored** to each authority's needs, if required.

CIPFA has introduced mandatory Continuing Professional Development (CPD). Our training courses **contribute towards CPD** – a certificate can be provided if required.

Below are the training and seminars that have been arranged for 2006:

SORP Seminar	Scotland	19 January
SORP Seminar	Leeds	24 January
SORP Seminar	London	26 January
Training Day	Manchester	01 February
Seminar	London	30 March
Training Day	London	6 April
Technical & Practical Training Day	Scotland, London, Midlands, North	TBA
Seminar	London, North East, North West, Midlands, Scotland	October / November
Training Day	London	November

Publications and Website

- ✓ **Topical, informative publications are e-mailed on a regular basis.**
- ✓ **Copies of these publications are also available on our website.**
- ✓ **Our services are client-facing, the website is an additional source of information and not a replacement of any of our services.**

Below is a list of publications sent to our clients on a regular basis:

- **Daily Comment** – informing of any overnight market developments and the day's key economic events
- **Weekly Investment Monitor** – key observations on the money markets and recommendations
- **Weekly Newsletter** – economic review of past week, and key events for the week to come
- **Capital Watch** – covering topical issues
- **Housing Watch** – latest developments in housing finance and commentary
- **Monthly Newsletter** – economic view by Professor David Llewellyn
- **Quarterly Newsletter** – economic and financial outlook
- **Quarterly Money Market Fund** Publication – economic overview, an analysis of Money Market Funds and various other instruments
- **Butlers Annual Review**

The aim of the website is to give clients immediate access to all of our information and services through another medium. It is intended to **enhance** the overall quality of the Treasury Management Service but **NOT** to replace the personal contact which we believe is key to our service. Within the site clients will be able to access the following:

- **Live PWLB rate forecasts**
- Economic information & LIBOR rates
- Local Government finance information
- **Model report templates**
- Credit rating commentary on key rating changes
- Actual PWLB rates
- Links to other useful information websites

In addition to these password protected sections, **further information** is available regarding training courses and seminars (places for which can be booked online) as well as a complete guide to the Treasury Consultancy Service.

Client Satisfaction and Quality Assurance

- ✓ **In 2004 Butlers carried out a survey of clients to identify service satisfaction.**
- ✓ **The questionnaire was carried out independently.**
- ✓ **The questionnaire covered all aspect of the consultancy service.**

Butlers prime focus is **delivering a quality service** to meet identified client needs. In order to help us maintain this, and enhance our services further, we commissioned a client questionnaire. The overall results of the questionnaire were very positive, as highlighted by the following:

- In the views of our clients, professionalism of staff, clarity, timeliness and accuracy of advice are the most important factors of the service. In excess of 80% of our clients were **very satisfied** with all of these.
- 100% valued the **quality** of our seminars.
- 96% appreciated the frequency of **strategy meetings**.

The questionnaire gave clients the opportunity to give specific feedback. The following are examples of what our clients say:

- "**Proactive and professional service**. Seminars and material produced on prudential code were first class and very much appreciated."
- "The **interest rate forecasts** and investment advice is always particularly appreciated. Recently the advice received on the **debt repayment** exercise which this Council undertook, and the new prudential code, was very helpful."
- "Butlers staff are **readily contactable** and provide advice and help in a pro-active way which meets our needs"
- "Butlers staff have always provided **prompt service** and, if necessary, have come back promptly having found out answers to queries"
- "I find the support provided **extremely helpful** – there is always someone to turn to!! In the event a query can't be answered immediately someone will always phone or e-mail a reply very promptly."
- "**Far more proactive** than other advisors"

Freedom of Information Act

The Freedom of Information Act has not affected the level of detail provided in response to this tender. However, please refer to the list of items below that we deem to be confidential. In the event that we are successful with this tender, the Act would not affect the information that we provide to the Council from a Treasury Management perspective but we reserve the right to object to the disclosure of information provided to third parties to the extent permitted by the Act. The following sections of this tender response are provided to the recipient of this document in confidence:

- ✓ *PUT SECTION DETAILS IN HERE*
- ✓ X