



Meeting of the

# TOWER HAMLETS COUNCIL

---

Wednesday, 4 March 2009 at 7.30 p.m.

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SUPPLEMENTAL AGENDA

**BUDGET 2009/2010**

**DOCUMENT PACK 2**

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## VENUE

Council Chamber, 1<sup>st</sup> Floor,  
Town Hall, Mulberry Place,  
5 Clove Crescent,  
London E14 2BG

All members of the Council will find it helpful to bring the original Budget 2009/2010 Document Pack, previously circulated in conjunction with the agenda papers for the Cabinet meeting held on 11<sup>th</sup> February 2009, with them to this meeting of the Council.

If you require any further information relating to this meeting, would like to request a large print, Braille or audio version of this document, or would like to discuss access arrangements or any other special requirements, please contact:

John S Williams, Service Head, Democratic Services  
Tel: 020 7364 4204, E-mail: [johns.williams@towerhamlets.gov.uk](mailto:johns.williams@towerhamlets.gov.uk)

# LONDON BOROUGH OF TOWER HAMLETS

## COUNCIL

WEDNESDAY, 4 MARCH 2009

7.30 p.m.

This Pack comprises: -

• <b>Report from the Cabinet</b> meeting of 11 <sup>th</sup> February 2009	<b>Page 1</b>
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○ Appendix A to the Motion above Statutory Calculations of the Authority's Budget Requirement in 2009/10	<b>Page 22</b>
• <b>Appendix 2</b>	
○ General Fund Budget and Medium Term Financial Plan 2009/10 – 2011/12 (CAB 120/089) Appendix H Medium Term Financial Projections [previously marked "To Follow" and Tabled at Cabinet 11 February 2009]	<b>Page 25</b>
• <b>Appendix 3</b>	
○ General Fund Budget and Medium Term Financial Plan 2009/10 – 2011/12 Addendum (CAB 127/089) [containing Appendix A previously marked "To Follow" and circulated as a Document Pack Supplement 09 February 2009]	<b>Page 27</b>

**REPORT OF THE CABINET**

**11 FEBRUARY 2009**

To receive the report of the Cabinet at its meeting held on Wednesday **11 February 2009**.

The Members who attended our meeting were: -

Councillor Lutfur Rahman (Chair)	(Leader of the Council)
Councillor Sirajul Islam (Vice-Chair)	(Deputy Leader of the Council)
Councillor Ohid Ahmed	(Lead Member, Regeneration, Localisation and Community Partnerships)
Councillor Rofique U Ahmed	(Lead Member, Culture and Leisure)
Councillor Anwara Ali	(Lead Member, Health & Wellbeing)
Councillor Alibor Choudhury	(Lead Member, Employment and Skills)
Councillor Marc Francis	(Lead Member, Housing and Development)
Councillor Clair Hawkins	(Lead Member, Children's Services)
Councillor Joshua Peck	(Lead Member, Resources and Performance)
Councillor Abdal Ullah	(Lead Member, Cleaner, Safer, Greener)

Other Members present: -

Councillor Abdul Asad	(Chair, Overview and Scrutiny Committee)
Councillor Peter Golds	(Leader of the Conservative Group)

**1. General Fund Budget and Medium Term Financial Plan 2009/10 to 2011/12 (CAB 120/089)  
General Fund Budget and Medium Term Financial Plan 2009/10 to 2011/12  
Addendum (CAB 127/089)**

We considered a report (CAB 120/089) (See **Budget 2009/2010 Document Pack 1 - Agenda item 10.1**), detailed Budget pages to be deposited with the Clerk to the Council and in the Members rooms, which informed and advised us that:-

- We were invited to submit our recommendation for the General Fund and Council Tax 2009/10 and a Medium Term Financial Plan for 2009/10- 2011/12 to Budget Council for consideration on 4<sup>th</sup> March 2009.
- At our meeting, held on 14th January 2009, we had considered the General Fund Revenue Budget 2009/10 to 2011/12 and referred initial budget proposals to our Overview & Scrutiny Committee for consultation in accordance with this Authority's Budget & Policy Framework Procedure Rules.
- At our meeting, held on 14th January 2009, we had also requested our Corporate Directors to bring forward proposals for Service Improvement Growth for

consideration in this Budget and Medium Term Financial Plan, and the report before us included those proposals.

- Our Overview and Scrutiny Committee was due to meet to consider these matters at their meeting to be held on 10<sup>th</sup> February 2009 and any comments arising from these deliberations would be reported to our meeting to be held on 11<sup>th</sup> February 2009.
- The report before us also set out the results of public consultation with residents and business ratepayers on our initial Budget proposals.
- The Government had announced this Authority's final three-year Formula Grant settlement for 2009/10 to 2011/12 and there had been no variation from the provisional figure announced in December 2008.
- The Greater London Authority (GLA) was due to meet on 11<sup>th</sup> February 2009 to set its precept, and the report before us set out the latest available information on the Mayor for London's budget proposals (at the time of writing), and any update would be provided verbally at our meeting. The final GLA Budget and precept would be reported to Budget Council on 4<sup>th</sup> March 2009.
- The report before us also includes final advice from our Corporate Director of Resources on the financial risks facing this Authority, particularly noting the impact of interest rates on investment income, and his statutory advice on the robustness of the Budget process. The report considered the impact of risk on the overall General Fund budget, and reviewed the level and planned use of general and earmarked reserves. We were asked to consider a strategy in relation to maintaining reserves at a level consistent with known pressures on this Authority's Budget and unquantifiable future risk.
- The Addendum report (CAB 127/089) before us, (See **Budget 2009/2010 Document Pack 2** – Appendix 3 to report of Cabinet) informed us that it set out the results of public consultation with residents and business ratepayers on our initial Budget proposals. This information had been intended for inclusion in Appendix A to the original report (CAB 120/089) but had not been available for publication within the normal timescales and consequently had been published in a Budget Document Pack Supplement circulated subsequently.

Our Chair informed us that our Councillor Peck, Lead Member: Resources and Performance, had **Tabled** a motion, which contained all recommendations in respect of:

- The report before us "General Fund Budget and Medium Term Financial Plan 2009/10 – 2011/12" (CAB 120/089)  
(See **Budget 2009/2010 Document Pack 1 - Agenda item 10.1**)
- The addendum thereto (CAB127/089) containing Appendix A to the original report  
(See **Budget 2009/2010 Document Pack 2** – Appendix 3 to report of Cabinet)
- Appendix H to the original report not circulated previously  
(See **Budget 2009/2010 Document Pack 2** – Appendix 2 to report of Cabinet).

- The report before us “Capital Programme 2009/10 – 2011/12” (CAB 121/089) (See **Budget 2009/2010 Document Pack 1 - Agenda item 10.2**)

Our Chair also indicated that, because of the composite nature of the tabled motion from our Councillor Peck, Lead Member: Resources and Performance, he considered it appropriate that both Agenda item 10.1 and 10.2 to which it related should be considered in conjunction. Accordingly our Chair **Moved** and we **Resolved** that the order of business be varied and both agenda items be considered in conjunction.

Our Councillor Peck, Lead Member Resources and Performance, in formally **Moving** the tabled composite Budget Motion, in respect of the General Fund Budget and Medium Term Financial Plan 2009/10 to 2011/12 and Capital Programme 2009/10 to 2011/12 commented that:-

- Summarising that the Budget proposals set out in the report before us did not stand in isolation but were interlinked with proposals elsewhere on the agenda before us, such as those relating to the Review of Parking Fees and Charges and the Working Neighbourhoods Fund. The Budget consequently formed part of an extensive package of support for our local residents and business at this difficult economic time.
- Extensive consultation had been undertaken with our local residents and businesses which had clearly identified a common theme relating to the importance of value for money, in the context of the local impact of the economic downturn and the high cost of living/ business costs. The importance of a low Council Tax, a need to examine the level of Parking Charges; and also, given that jobs were harder to come by, a need to give increased focus to assisting local people to secure employment had been highlighted.
- The proposed Budget reflected the priorities of local people, identified in consultation:
  - Residents would see an overall increase in Council Tax of 1.69% this year, a manageable increase, which was almost half the current rate of inflation and would result in the sixth lowest Council Tax in London. The service delivery of this Council, judged to be one of the best in London, would be provided at one of the lowest costs and he considered this to be an achievement to be proud of.
  - Council Tax payments would be spread over twelve months rather than the current 10 months resulting in Council Tax for an average household reducing from £106 per month to £88. This amounted to twenty percent less month on month, and would assist our local residents to spread the cost over a full year, and help their monthly income to go further.
  - The Budget underpinned a significant package of initiatives to support our local residents and businesses including:
    - Work to improve efficiency to ensure low rent and service charge increases for our Tower Hamlets tenants and leaseholders.
    - Freezing parking charges in 2009/10 for all residents of this Borough.
    - Introducing up to 2 hours of free parking in the vicinity of markets and town and commercial centres at weekends to help boost trade for local businesses.
    - Speeding payment of invoices by this Authority which would improve the cash flow of local businesses.

- The allocation of in excess of £20 million to programmes and projects to help local people secure employment, and the creation of 200 apprenticeships in partnership with the Tower Hamlets Primary Care Trust.
- The identification of additional resources to implement this Authority's recently extended policy in respect of the London Living Wage, significantly improving pay for elements of the workforce, such as care staff, which were predominantly women, leading to an improved standard of living for them and their families.
- The Budget also addressed two issues of great importance for residents: Crime and the perception of crime. Although levels of crime were reducing, more needed to be done to make people feel safer in Tower Hamlets.
  - The proposals therefore identified additional funding of £600,000 in 2009/10 for seventeen additional police officers and it was hoped the Metropolitan Police would increase this by a further two.
  - There was also the option for our Local Area Partnerships to further increase this through usage of individual LAP budgets, for which funding had been identified in the overall Budget proposals.
  - Funding was also identified for Tower Hamlets Enforcement Officers (THEOs) teams to deal with enviro-crime.
  - In addition £500,000 had been identified for CCTV and £200,000 for street lighting.
- The Budget also identified £1 million for Youth Services including extended opening of facilities on Fridays and Saturdays, provision for girls and linked and accredited outcomes.
- This Authority was in a better position than many other local councils, putting forward a balanced budget underpinned, not by cuts in front line services, but by effective long term robust budget planning in anticipation of tight Government funding settlements, but also good provision from Government to meet the high level of need in Tower Hamlets.
- In conclusion our Councillor Peck, Lead Member Resources and Performance, commended the Budget proposals, set out in the tabled Motion, to us as a large package of support for our local residents and businesses at a time of economic hardship.

Our Chair in **Seconding** the motion as tabled by our Councillor Peck, Lead Member Resources and Performance:

- Commented that the Budget proposals were a reflection of this Administration's commitment to support local residents and businesses through a very difficult time.
- Noted that the Budget proposals included the allocation of approximately £20 million to address overcrowding in this Borough, which was a key priority for this Administration.
- Our Chair also thanked our Councillor Peck and our other Lead Members and Chief Officers that had undertaken the detailed work resulting in the Budget proposals submitted for our consideration.

Our Councillor Francis, Lead Member Housing and Development:

- Commended our Councillor Peck, Lead Member Resources and Performance, for his hard work during the Budget Review process in recent months and also

thanked our Chair:Councillor Rahman, Leader of the Council, for his Leadership in this regard. The delivery of high quality front line services, in such quantity, with such a low increase in Council Tax was a tribute to the work of our Councillor Peck in driving efficiencies out of the organisation.

- Welcomed:
  - The refocusing of resources in front line services and particularly those relating to quality of the Public Realm, safety and in particular tackling anti-social behaviour.
  - The identification of capital funding within the proposals to mitigate overcrowding and specifically to assist five hundred overcrowded families to move into a family sized home. Work was now underway to identify family sized properties, sold under Right to Buy, which could be bought back to house such overcrowded households. Good progress had also been made in relation to the disposal of small parcels of land owned by this Authority to Registered Social Landlords for development.

Our Councillor Ullah, Lead Member Cleaner Safer Greener:

- Commended our Councillor Peck, Lead Member Resources and Performance, for Budget proposals which for a third successive year provided for investment of resources in the priorities of this Administration and consequently services for the Community in general. He also thanked our Chair: Councillor Rahman, Leader of the Council, for Budget proposals which demonstrated that this Administration, under his leadership, was caring for the Community it served.
- Commented that it was widely acknowledged that there was a correlation between recession and increased levels of crime, and accordingly welcomed the foresight associated with the identification, within the proposed Budget, of funding for seventeen additional police officers, the complimentary enforcement officer teams and other safety related initiatives
- Considered it important not to make stereotypical assumptions that young people caused trouble. Accordingly he welcomed the extension of opportunities for young people to participate in evening activities to be funded by the additional resources for Youth Services identified within the proposed Budget.

Our Councillor Choudhury, Lead Member Employment and Skills, welcomed the Budget proposals.

Our resolutions are set out below: -

### **Budget Consultation**

We noted the comments/ recommendations of our Overview and Scrutiny Committee.

We noted the outcome of the various consultations carried out in relation to this Authority's Budget, as set out in Section 4 of the original report (CAB 120/089) and the addendum report (CAB 127/089) containing Appendix A.

### **Grant Funding**

We noted the funding available for 2009/10–2010/11 and projected to be available for 2011/12 together with consequent budget uncertainties set out in Section 6 of the original report (CAB 120/089) before us.

### **Base Budgets 2009/10**

We approved the base budgets for each Directorate set out at Appendix C to the original report (CAB 120/089) before us.

We approved the overall General Fund base budget, as set out at Appendix D to the original report (CAB 120/089) before us, incorporating decisions already taken as part of this budget cycle.

### **Approved Budget 2009/10 - 2010/11**

We agreed the allocations of Area Based Grant to Directorates for 2009/10 and 2010/11, as set out at Appendix B and in Section 6 of the original report (CAB 120/089) before us.

We agreed the allocations of Committed Growth, as set out in Section 8 and at Appendix E of the original report (CAB 120/089) before us, and offsetting savings, as set out in Section 9 and at Appendix F.

### **Service Improvement Growth**

We noted that at previous meetings, we had agreed Service Improvement Growth relating to;

- Youth Service Contracts (£1,000,000)
- Additional Police Officers (£600,000) and;
- London Living Wage (£260,000)

and that these items are included in the Base Budget set out at Appendix D to the original report (CAB 120/089) before us that we had approved above.

We noted the Service Improvement Growth, as set out in Section 10 and Appendices G1 and G2 of the original report (CAB 120/089) before us; and agreed the allocation of additional funding for 2009/10 and 2010/11, as set out in the table below: -

	<b>2009/10 £000s</b>	<b>2010/11 £000s</b>
Local Area Partnership Budgets	2,380	2,380
Tackling overcrowding (revenue impact)	90	200
Enforcement officers	368	368
Total	2,838	2,948

We agreed that a budget be allocated to each Local Area Partnership (LAP) on the basis of £140,000 per ward in each year, and that this be allocated to schemes in accordance with a menu developed in accordance with our Budget priorities subject to a process of participatory budgeting in each LAP;



## **Medium Term Financial Plan 2009/10-2011/12**

We approved the Medium Term Financial Plan for 2009-2012, as set out in Section 11 of the original report (CAB 120/089) before us and at Appendix H to the original report tabled before us and appended hereto (See **Budget 2009/2010 Document Pack 2 – Appendix 2** to report of Cabinet).

We noted the resulting savings and efficiency target for 2011/12 and the actions being undertaken to address it.

### **Financial Risks: Reserves & Contingencies**

We noted the advice on strategic budget risks, as set out in Section 13 and Appendix I of the original report (CAB 120/089) before us, in particular the significant increase in risk that this Council is exposed to as a result of the economic downturn and the proposed response of this Authority to managing this risk.

### **Robustness of the Budget Process**

We noted the advice of the Corporate Director- Resources in relation to the robustness of the budget process, as set out in Section 16 of the original report (CAB 120/089) before us.

### **Balances/Reserves**

We noted the review of balances and reserves, as set out in Section 15 and further detailed at Appendices J and K of the original report (CAB 120/089) before us.

We agreed a strategy for general and earmarked reserves which utilises available surpluses in an affordable way to achieve this Authority's priorities but which ensures reserves are maintained at a level sufficient to reflect risks.

### **Budget Requirement & Council Tax 2009/10**

We agreed that in 2009/10 Council Tax will be collected over 12 monthly instalments and not 10 as in previous years.

We agreed that Council be recommended to agree a Budget Requirement of £297,926,000 and a Council Tax for the London Borough of Tower Hamlets of £885.52 at Band D for 2009/10, as set out at Appendix H to the original report (CAB 120/089) tabled before us.

### **We therefore recommend Council to: -**

Agree a Budget Requirement of £297,926,000 and a Council Tax for the London Borough of Tower Hamlets of £885.52 at Band D for 2009/10, as set out at Appendix H to the original report (CAB 120/089) tabled before us and appended hereto (See **Budget 2009/2010 Document Pack 2 – Appendix 2** to report of Cabinet).

## 2. Capital Programme 2009/10 to 2011/12 (CAB 121/089)

We considered a report (CAB 121/089) (See **Budget 2009/2010 Document Pack 1 - Agenda item 10.2**) which Informed and advised us that:-

- At our meeting held on 14<sup>th</sup> January 2009, we had considered the Capital Programme for 2009/10 and subsequently referred our initial proposals to our Overview & Scrutiny Committee for consultation in accordance with this Authority's Budget & Policy Framework Procedure Rules.
- Our Overview and Scrutiny Committee was due to meet to consider these matters at their meeting to be held on 10<sup>th</sup> February 2009 and any comments arising from these deliberations would be reported to our meeting to be held on 11<sup>th</sup> February 2009.
- The report before us detailed the forecast of this Authority's capital resources for the next three financial years and invited us to make a final recommendation for a Capital Programme for 2009/10 to Budget Council for consideration on 4<sup>th</sup> March 2009.
- The report before us indicated that this Authority's Capital Programme would be subject to increasing resource constraints over the medium term which would require a greater emphasis on prioritisation of projects to ensure they are effective and secure value for money.
- The Capital Strategy was approved by the Authority's Cabinet at their meeting held on 9 January 2008. The purpose of the Capital Strategy is to identify needs and priorities for capital investment and ensure that limited resources are allocated to maximum advantage. The report before us set out changes to the Capital Strategy since that date.
- A rigorous evaluation process, as set out in the Capital Strategy, had been applied to Directorate bids for resources to ensure that the projects recommended for inclusion in the Capital Programme are the ones which most effectively contribute towards this Authority's corporate objectives.
- The report before us set out the resources available for both the Mainstream and Local Priorities Programmes for 2009/10-2011/12 and invited us to recommend a Capital Programme comprising both of these elements to Budget Council for consideration on 4<sup>th</sup> March 2009, in accordance with this Authority's Budget & Policy Framework Procedure Rules.

Our Councillor Peck, Lead Member: Resources and Performance, had tabled a motion, which contained all recommendations in respect of the report before us. The key points made by our Councillor Peck in introducing the motion are detailed at item 1. above, however for ease of reference our resolutions are set out below.

Our resolutions are set out below: -

We approved the revised Capital Strategy for 2009/10, as set out at Appendix 1 of the report (CAB 121/089) before us.

We agreed the allocation of resources, provided by the Government and other funding bodies for specific purposes, to support Directorate Mainstream Capital Programmes, as set out in Appendix 2 to the report (CAB 121/089) before us, and summarised in the table below:-

	£ million
Adults, Health & Wellbeing	0.387
Children's Services	17.730
Communities, Localities & Culture	2.456
Development & Renewal	43.417
TOTAL	<hr/> 63.990 <hr/>

We noted that further allocations of mainstream resources would be reported to us as they occur during the financial year.

We noted the resources available for the Local Priority Programme, as set out in the body of the report (CAB 121/089) before us, and the advice on the use of reserves set out at Appendix 3.

We noted the Local Priority schemes for 2009/10 and later years previously approved by us, as set out at Appendix 4 and unavoidable and risk items set out at Appendix 5 of the report (CAB 121/089) before us; and formally agreed to include these in the Capital Programme.

We agreed the additional proposals for the Local Priorities Capital Programme 2009/10 and capital forecasts for 2010/11 and 2011/12, as set out at Appendix 6 of the report (CAB 121/089) before us.

We noted that the revenue implications of the Capital Programme 2009/10 to 2011/12 had been provided for in our resolutions pertaining to the report "General Fund Budget and Medium Term Financial Plan 2009/10 – 2011/12" (CAB 120/089), detailed at item 1. above.

We agreed that Council be recommended to approve the Capital Programme for 2009/10 and indicative Capital Programme 2010/11 to 2011/12, comprising of our resolutions above relating to recommendations 2.2, 2.5 and 2.6 of the report (CAB 121/089) before us, in accordance with this Authority's Budget and Policy Framework Procedure Rules:

**We therefore recommend Council to: -**

1. Approve the allocation of resources, provided by the Government and other funding bodies for specific purposes, to support Directorate Mainstream Capital Programmes, as set out in Appendix 2 to the report (CAB 121/089) (See **Budget**

**2009/2010 Document Pack 1 - Agenda item 10.2)** and summarised in the table below:-

	£ million
Adults, Health & Wellbeing	0.387
Children's Services	17.730
Communities, Localities & Culture	2.456
Development & Renewal	43.417
<b>TOTAL</b>	<b>63.990</b>

2. Approve the formal inclusion of the Local Priority schemes for 2009/10 and later years previously agreed by the Cabinet, as set out at Appendix 4; and unavoidable and risk items set out at Appendix 5 of the report (CAB 121/089) (See **Budget 2009/2010 Document Pack 1 - Agenda item 10.2**) in the Capital Programme.
3. Approve the additional proposals for the Local Priorities Capital Programme 2009/10 and capital forecasts for 2010/11 and 2011/12, as set out at Appendix 6 of the report (CAB 121/089) (See **Budget 2009/2010 Document Pack 1 - Agenda item 10.2**).

### **3. 2009/10 Prudential Indicators (CAB 122/089)**

We considered a report (CAB 122/089) (See **Budget 2009/2010 Document Pack 1 - Agenda item 10.3**), which informed and advised us that: -

- This Authority is required to set prudential indicators by the Local Government Act 2003 and the Local Authorities (Capital Financing and Accounting) Regulations 2003.
- The prudential indicators underpin this Authority's investment plans and demonstrate that they are financially prudent, affordable and sustainable. These indicators are also used to monitor and regulate the decision making process for treasury management activity within the Authority.
- The Authority's Capital Strategy ensures that the use of capital resources is optimised by allocating funding to those programmes or projects that contribute most to the objectives set out in this Authority's Strategic Plan.
- It is a statutory requirement under section 33 of the Local Government Finance Act 1992 for this Authority to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that capital expenditure must be limited to a level whereby increases in charges to revenue from:

- Interest charges caused by borrowing to finance additional capital expenditure, and
- Running costs from new capital projects

are affordable within the projected income of this Authority for the foreseeable future.

- The indicators in the report before us were derived from borrowing and resource projections and spending decisions already taken, and also reflected proposals for capital spending contained elsewhere on the agenda before us. They established limits on the amount of borrowing this Authority can undertake in the medium term and demonstrate that such borrowing will not over-commit subsequent years' revenue budgets.
- The Regulations require that the Prudential Indicators be adopted by Council and the indicators recommended by us would be considered by Council at its meeting to be held on 4<sup>th</sup> March 2009.
- Developments which might take place after our consideration of the report before us could necessitate revision of the indicators before they are submitted to Council for adoption. Consequently it was recommended that our Corporate Director of Resources be authorised to adjust the figures prior to consideration by Council on 4<sup>th</sup> March 2009. The Prudential Indicators as set by Council on 4<sup>th</sup> March 2009 would apply throughout the financial year and could only be changed by reference to Council.

Our Corporate Director Resources, Mr Naylor, at the request of our Chair, in introducing the report; briefly summarised the salient points contained therein, highlighting in particular that the Prudential Indicators were a key element of this Authority's financial management arrangements for the coming year:

- Underpinning investment plans and regulating decision making relating to treasury management activity.
- Setting limits on the amount of borrowing this Council could undertake in the medium term on the basis of disciplined borrowing, affordable within projected Council income for the foreseeable future. Capital expenditure was therefore limited by the requirement to be affordable in revenue terms.

Our resolutions are set out below: -

We endorsed the following Operational Boundaries for External Debt and agreed that Council be recommended to agree their adoption:-

Operational Boundaries for External Debt	
2009/10	£508.000 M
2010/11	£556.000 M
2011/12	£556.000 M

We endorsed the following Authorised Limits for External Debt and agreed that Council be recommended to agree their adoption:-

Authorised limits for External Debt	
2009/10	£528.000 M
2010/11	£576.000 M
2011/12	£626.000 M

We noted the following financial indicators, as required under the Prudential Borrowing Code, and agreed that Council be recommended to note them:-

Financial Indicators	Actual	Estimate	Estimate	Estimate	Estimate
	2007/08	2008/09	2009/10	2010/11	2011/12
Ratio of financing costs to Net Revenue Stream	2.22%	2.50%	2.88%	3.06%	3.30%
Impact of Capital Investment Decisions on Annual Band D Council Tax	£ 20.13	£ 14.72	£ 16.11	£ 8.95	£ 11.64
Capital Expenditure (£million)	£ 61.932	£ 70.417	£ 91.194	£ 68.716	£ 49.993
Capital Financing Requirement (£million)	£ 458.419	£ 482.190	£ 508.371	£ 535.021	£ 562.930

We authorised our Corporate Director of Resources, after consultation with our Lead Member for Resources and Performance, to revise the indicators contained in recommendations 2.1 to 2.3 of the report before us (CAB 122/089) to reflect any developments between our meeting held on 11<sup>th</sup> February 2009 and Council on 4<sup>th</sup> March 2009.

**We therefore recommend Council to: -**

1. Adopt the following Operational Boundaries for External Debt:-

Operational Boundaries for External Debt	
2009/10	£508.000 M
2010/11	£556.000 M
2011/12	£556.000 M

2. Adopt the following Authorised Limits for External Debt:-

Authorised limits for External Debt	
2009/10	£528.000 M
2010/11	£576.000 M
2011/12	£626.000 M

3. Note the following financial indicators, as required under the Prudential Borrowing Code:-

Financial Indicators	Actual	Estimate	Estimate	Estimate	Estimate
	2007/08	2008/09	2009/10	2010/11	2011/12
Ratio of financing costs to Net Revenue Stream	2.22%	2.50%	2.88%	3.06%	3.30%
Impact of Capital Investment Decisions on Annual Band D Council Tax	£ 20.13	£ 14.72	£ 16.11	£ 8.95	£ 11.64
Capital Expenditure (£million)	£ 61.932	£ 70.417	£ 91.194	£ 68.716	£ 49.993
Capital Financing Requirement (£million)	£ 458.419	£ 482.190	£ 508.371	£ 535.021	£ 562.930

#### 4. Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2009/10 (CAB 123/089)

We considered a report (CAB 123/089 (See **Budget 2009/2010 Document Pack 1 - Agenda item 10.4**), which informed and advised us that: -

- The Local Government Act 2003 and supplementary regulations require this Authority to produce three strategy statements to support the Prudential Indicators which ensure that this Authority's capital investment plans are affordable, sustainable and prudent. The three statements may be summarised as:
  - A Treasury Management Strategy which sets out this Authority's proposed borrowing for the financial year and establishes the parameters within which officers under delegated authority may undertake such activities.
  - An annual Investment Strategy which sets out this Authority's policies for managing its investments and for giving priority to the security and liquidity of those investments; and
  - A policy statement on the basis on which provision is to be made in the revenue accounts for the repayment of borrowing.
- The exceptional volatility in the financial markets had necessitated our Corporate Director of Resources to apply a stringent approach to credit management when undertaking investment to protect this Authority's interests. As a short term expedient external investments had been restricted to UK financial institutions which had been guaranteed by the Government. The report before us proposed that the previous year's lending criteria be adopted and our Corporate Director of Resources be given discretion regarding when the current restrictive list is to be replaced by institutions complying with the credit criteria as set out in the report before us.

Our Corporate Director Resources, Mr Naylor, at the request of our Chair, in introducing the report; briefly highlighted both the importance of this Authority's Treasury Management Strategy Statement / Annual Investment Strategy and appropriateness of the cautious approach contained in each, by contextual reference to the recent collapse of Icelandic banks.

Our Councillor Peck, Lead Member Resources and Performance, commented that the report was technically difficult, but crucial in setting the terms on which this Authority

loaned temporary surpluses arising from cash flow movement to other institutions for which it received a financial return. This Authority's robust financial framework in this regard had forestalled the problems that other local authorities had recently encountered due to their high risk approach in this area of activity. Our Councillor Peck assured us that in the light of recent events this area of activity was being even more closely monitored.

Our Chair thanked our Officers for their foresight in rejecting short term quick returns when formulating the previous Treasury Management and Investment Strategy, commenting that Tower Hamlets had indeed been fortunate compared to the recent experience of other local authorities in this regard; and it was: -

Our resolutions are set out below: -

We endorsed the Treasury Management Strategy Statement, as set out in Sections 4 to 9 of the report (CAB 123/089) before us.

We endorsed the Annual Investment Strategy, as set out in Section 10 of the report (CAB 123/089), before us.

We endorsed the Minimum Revenue Provision Policy Statement, as set out in Section 11 of the report (CAB 123/089) before us.

We agreed that Council be recommended to adopt the Treasury Management Strategy Statement, the Annual Investment Strategy and the Minimum Revenue Provision Policy Statement set out in the body of the report (CAB 123/089) before us, in the locations identified in our resolutions above.

We authorised our Corporate Director of Resources, after consultation with the Lead Member for Resources and Performance, to vary the figures in the report (CAB 123/089) before us, prior to submission to Council for adoption on 4th March 2009, to reflect our resolutions pertaining to the Authority's Capital Programme 2009/10 to 2011/12 detailed at item 2. above.

**We therefore recommend Council to: -**

Adopt the Treasury Management Strategy Statement, the Annual Investment Strategy and the Minimum Revenue Provision Policy Statement set out in the body of the report before us (CAB 123/089), in the locations identified in recommendations 2.1 to 2.3 (See **Budget 2009/2010 Document Pack 1 - Agenda item 10.4**).

**Councillor Lutfur Rahman  
Chair of the Cabinet**



**LOCAL GOVERNMENT ACT 1972 – SECTION 100D (AS AMENDED)**  
**LIST OF "BACKGROUND PAPERS" USED IN THE PREPARATION OF THIS REPORT**

<b>Brief description of "background paper" number of holder</b>	<b>Tick if copy supplied</b>	<b>If not supplied, name and telephone</b>
Cabinet Agenda – 11/02/09 Record of decisions Cabinet Meeting 11/02/09 Draft minutes Cabinet Meeting 11/02/09		Angus Taylor 020 7364 4333

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**COUNCIL**

**4<sup>TH</sup> MARCH 2009**

**BUDGET REQUIREMENT & COUNCIL TAX 2009/10**

**BUDGET MOTION FROM COUNCILLOR JOSHUA PECK, LEAD MEMBER  
FOR RESOURCES AND PERFORMANCE**

*I propose the following motion in relation to Agenda item 5.1 "Report of the Cabinet meeting held on 11<sup>th</sup> February 2009":-*

**"That Council: -**

**General Fund Revenue Budget Requirement and Council Tax 2009/2010**

1. Agree a total Budget Requirement for Tower Hamlets in 2009/2010 of £297,926,000.
2. Agree a Council Tax for Tower Hamlets in 2009/2010 of £885.52 at Band D, as detailed in the table below: -

	<b>2008/09</b>	<b>2009/10</b>
	<b>£</b>	<b>£</b>
Adults Health & Wellbeing	90,166,427	89,547,000
Children's Services	90,298,089	96,795,000
Development and Renewal	16,030,500	17,702,000
Communities, Localities and Culture	72,391,081	74,499,000
Resources	11,183,807	15,904,000
Chief Executive's	11,497,412	10,871,000
Corporate/Capital	19,156,000	14,174,000
	<b>310,723,315</b>	<b>319,492,000</b>
Corporate Contingency	584,000	-
Local Public Service Agreement	(610,000)	(660,000)
Parking Control Account	(2,685,000)	(3,040,000)
Housing Choice Earmarked Reserve	1,978,000	-
Efficiency Reserve	689,000	689,000
Asset Management Reserve	500,000	-
Insurance Fund	500,000	500,000
Area Based Grant income	(17,381,316)	(19,055,000)
General Balances	1,200,000	0
	<b>295,498,000</b>	<b>297,926,000</b>
RSG	(27,493,996)	(42,909,651)
NNDR	(197,502,810)	(185,906,640)
	<b>70,501,194</b>	<b>69,109,709</b>
Collection Fund Surplus/Deficit	(1,505,000)	2,000,000
	<b>68,996,194</b>	<b>71,109,709</b>
Council Tax Base	79,705	80,303
<b>COUNCIL TAX AT BAND D</b>	<b>£865.64</b>	<b>£885.52</b>

- a) Resulting in a Council Tax for all other band taxpayers, before any discounts, and excluding the GLA precept, as set out in the Table below:-

BAND	PROPERTY VALUE		RATIO TO BAND D	LBTH COUNCIL TAX FOR EACH BAND £
	FROM	TO		
A	0	40,000	$\frac{6}{9}$	£590.35
B	40,001	52,000	$\frac{7}{9}$	£688.74
C	52,001	68,000	$\frac{8}{9}$	£787.13
D	68,001	88,000	$\frac{9}{9}$	£885.52
E	88,001	120,000	$\frac{11}{9}$	£1,082.30
F	120,001	160,000	$\frac{13}{9}$	£1,279.08
G	160,001	320,000	$\frac{15}{9}$	£1,475.87
H	320,001	and over	$\frac{18}{9}$	£1,771.04

3. Agree that for the London Borough of Tower Hamlets in 2009/2010:-

(a) The Council Tax for Band D taxpayers, before any discounts, and including the GLA precept, shall be **£1,195.34** as shown below: -.

	£ (Band D, No Discounts)
LBTH	885.52
GLA	309.82
Total	<u>1,195.34</u>

(b) The Council Tax for taxpayers in all other bands, before any discounts, and including the GLA precept, shall be as detailed in the table below: -

BAND	PROPERTY VALUE		RATIO TO BAND D	LBTH £	GLA £	TOTAL £
	FROM	TO				
A	0	40,000	$\frac{6}{9}$	£590.35	£206.55	£796.90
B	40,001	52,000	$\frac{7}{9}$	£688.74	£240.97	£929.71
C	52,001	68,000	$\frac{8}{9}$	£787.13	£275.40	£1,062.53
D	68,001	88,000	$\frac{9}{9}$	£885.52	£309.82	£1,195.34
E	88,001	120,000	$\frac{11}{9}$	£1,082.30	£378.67	£1,460.97
F	120,001	160,000	$\frac{13}{9}$	£1,279.08	£447.52	£1,726.60
G	160,001	320,000	$\frac{15}{9}$	£1,475.87	£516.37	£1,992.24
H	320,001	and over	$\frac{18}{9}$	£1,771.04	£619.64	£2,390.68

- 4 Approve the statutory calculations of this Authority's total Budget requirement in 2009/2010, detailed in **Appendix A** to this motion, undertaken by the Chief Financial Officer in accordance with the requirements of Sections 32 to 36 of the Local Government Finance Act 1992, and referred to in paragraph 21.4 of the report (CAB 123/078).

**LONDON BOROUGH OF TOWER HAMLETS  
COUNCIL 4<sup>th</sup> MARCH 2009  
BUDGET & COUNCIL TAX STATUTORY CALCULATIONS**

**SETTING THE AMOUNT OF COUNCIL TAX FOR THE COUNCIL'S AREA**

1. That the revenue estimates for 2009/2010 be approved.
2. That it be noted that, at its meeting on 14<sup>th</sup> January 2009, Cabinet calculated 80,303 as its Council Tax base for the year 2009/2010 in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 made under Section 33(5) of the Local Government Finance Act 1992.
3. That the following amounts be now calculated by the Council for the year 2009/2010 in accordance with Section 32 to 36 of the Local Government Finance Act 1992 as amended and the Local Authorities (Alteration of Requisite Calculations) (England) Regulations 2009:
  - (a) £1,069,421,367 Being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2)(a) to (e) of The Act. [Gross Expenditure]
  - (b) £771,495,367 Being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3)(a) to (c) of The Act. [Gross Income]
  - (c) £297,926,000 Being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council, in accordance with Section 32(4) of The Act, as its budget requirement for the year. [Budget Requirement]
  - (d) £226,816,291 Being the aggregate of the sums which the Council estimates will be payable for the year into its general fund in respect of redistributed non-domestic rates, revenue support grant and additional grant increased by the amount of the sums which the Council estimates will be transferred in the year from its collection fund to its general fund in accordance with Section 97(3) of the Local Government Finance Act 1988 and reduced by the amount of any sum which the council estimates will be transferred from its general fund to its collection fund pursuant to the Collection Fund (Community Charges) directions under Section 98(5) of the Local Government Finance Act 1988. [Government Grants and Collection fund Adjustments]
  - (e) £885.52 Being the amount at 3(c) above, less the amount at 3(d) above, all divided by the amount at 2 above, calculated by the Council, in accordance with Section 33(1) of The Act, as the basic amount of its Council Tax for the year. [Council Tax]



**LONDON BOROUGH OF TOWER HAMLETS  
COUNCIL 4<sup>th</sup> MARCH 2009  
BUDGET & COUNCIL TAX STATUTORY CALCULATIONS**

(f)	<b>VALUATION BAND</b>	<b>LBTH £</b>
	A	£590.35
	B	£688.74
	C	£787.13
	D	£885.52
	E	£1,082.30
	F	£1,279.08
	G	£1,475.87
	H	£1,771.04

Being the amount given by multiplying the amount at 3(e) above by the number which, in the proportion set out in Section 5(1) of The Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of The Act, as the amount to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

4. That it be noted that for the year 2009/2010 the Greater London Authority has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below.

<b>VALUATION BAND</b>	<b>GLA £</b>
A	206.55
B	240.97
C	275.40
D	309.82
E	378.67
F	447.52
G	516.37
H	619.64

**LONDON BOROUGH OF TOWER HAMLETS  
COUNCIL 4<sup>th</sup> MARCH 2009  
BUDGET & COUNCIL TAX STATUTORY CALCULATIONS**

5. That, having calculated the aggregate in each case of the amounts at 3(f) and 4 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2009/2010 for each of the categories of dwellings shown below:-

<b>VALUATION BAND</b>	<b>TOTAL COUNCIL TAX £</b>
A	£796.60
B	£929.71
C	£1,062.53
D	£1,195.34
E	£1,460.97
F	£1,726.60
G	£1,992.24
H	£2,390.68

<b>MEDIUM TERM FINANCIAL PLAN 2009/10 - 2011/12</b>				
	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Initial Budget</b>		295,498	297,926	305,453
<b>Inflation</b>		6,222	6,494	7026
<b>Committed Growth</b>				
Approved In February 2008		3,618	2,479	
Reported to January 2009 Cabinet		3,605	-356	2919
<b>Savings</b>				
Approved in February 2008		-3,970	-2,694	
Reported to January 2009 Cabinet		-1,704	-702	-195
<b>Other Adjustments Required</b>				
Facilities Management		2,950		
London Pensions Fund Authority Levy		411	353	235
Concessionary Fares		-800		
Capital Financing and Investment		-2,438	2,365	72
Pensions Fund				4,501
One off spending in 2008/09		-2,701	-317	
<b>Changes in Contributions to Reserves</b>				
Asset Management		-500		
Decent Homes		-1,978		
General Reserves		-1,200		
Changes in Contingency budget		-194		
Additional contribution from Parking Control A/c		-90	90	
<b>Other Funding</b>				
Prioritisation of Area Based Grant		-3,501	-295	3796
<b>Service Improvement Growth</b>				
Service Improvement Growth approved during 2008/09		1,600		
LAP Budgets		2,380		-2,380
London Living Wage		260		
Tackling overcrowding		90	110	
Enforcement Officers		368		
Savings target for 2011/12				-9910
<b>Budget Requirement</b>	295,498	297,926	305,453	311,517
Formula Grant	-224,997	-228,816	-232,204	-235,687
Collection Fund Surplus / Deficit	-1,505	2,000	0	0
	<u>68,996</u>	<u>71,110</u>	<u>73,249</u>	<u>75,830</u>
<b>Recommended Band D Council Tax - Tower Hamlets</b>	£865.64	£885.52	£907.67	£930.35
<b>Greater London Authority - draft precept</b>	£309.82	£309.82	N/A	N/A
<b>Total Council Tax at Band D for the area</b>	£1,175.46	£1,195.34	N/A	N/A
<b>Change in Council Tax</b>		<b>1.69%</b>		

NB Forecasts are incremental year on year, not cumulative

\* Council Tax for 2009/10 and 2010/11 is indicative only and is not being approved at this stage

**Appendix 2 to Report from Cabinet**  
**APPENDIX H**

<b>PROJECTED BALANCE SHEET</b>	<b>As at</b>			
	<b>31.3.2009</b> £ m	<b>31.3.2010</b> £ m	<b>31.3.2011</b> £ m	<b>31.3.2012</b> £ m
Fixed and other long term assets (Note 1)	2,048.7	2,136.4	2,201.5	2,249.9
Borrowing & other long term liabilities	-285.0	-298.8	-312.9	-291.9
Working Capital	70.7	64.7	58.8	35.0
<b>TOTAL ASSETS LESS LIABILITIES</b>	<b>1,834.4</b>	<b>1,902.3</b>	<b>1,947.4</b>	<b>1,993.0</b>
Non-cashable Reserves (Note 2)	1,685.2	1,759.1	1,812.9	1,858.5
Collection Fund	-2.7	0.0	0.0	0.0
Other Earmarked Reserves	129.6	120.9	112.2	112.2
General Balances	22.3	22.3	22.3	22.3
<b>TOTAL EQUITY</b>	<b>1,834.4</b>	<b>1,902.3</b>	<b>1,947.4</b>	<b>1,993.0</b>

All figures at current prices. Does not reflect inflation or revaluation of assets/ liabilities

(1) Increase reflects expenditure on capital investment less value of anticipated disposals

(2) In the main, reserves representing the value of capital assets that have been paid for in the past

<b>Appendix 3 to Report from Cabinet</b>				
<b>Committee:</b> Cabinet	<b>Date:</b> 11th February 2009	<b>Classification:</b> Unrestricted	<b>Report No:</b> CAB 127/189	<b>Agenda Item No:</b> 10.1A
<b>Report of:</b> Corporate Director of Resources  <b>Originating Officer(s):</b>  Chris Naylor, Corporate Director-Resources and Alan Finch, Service Head – Corporate Finance		<b>Title:</b>  <b>General Fund Revenue Budget and Medium Term Financial Plan 2009/10- 2011/12 ADDENDUM</b>  <b>Ward(s) Affected:</b> N/A		

## 1. SUMMARY

- 1.1 This addendum reports the results of consultation on the budget, attached at **Appendix A.**

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### LOCAL GOVERNMENT ACT 1972 SECTION 100D (AS AMENDED)

#### LIST OF "BACKGROUND PAPERS" USED IN THE PREPARATION OF THIS REPORT

Brief description of "background papers"

Tick if copy supplied for register    If not supplied, name and telephone number of holder

## RESULTS OF BUDGET CONSULTATION

### Introduction

Previous budget consultations have revealed a well-established pattern of strong support for measures to tackle the environment, crime and education and skills, as illustrated by this table from the 2008 budget consultation. This data informed Members in setting the Three Year Budget for 2008-2011 and assisted the Cabinet's priority setting in July 2008.

	Very important %	Moderate importance %	Not as important %
Environment	42	45	13
Crime	61	30	9
Education, skills & training	30	52	19
Social care & health	19	62	19
Parks & leisure	11	43	46
Opportunities for the future	11	36	53
Value for money	26	32	42

2009/10 being the second year of the Three Year Budget, another quantitative survey was not considered to be necessary.

As part of this year's budget process, therefore, the Tower Hamlets Partnership was asked to convene some focus groups of Tower Hamlets residents to discuss the current economic situation, how this affects them and their communities and what they felt the council could do about it.

The focus groups explored a number of key headline questions, which were:

- How much do you understand about the current economic situation?
- How is the current economic situation affecting you?
- How do you feel local businesses might be affected by the economic situation?
- What effects on your community might become apparent due to the economic situation?
- Does the current economic situation affect your green or ethical considerations?
- How do you feel the Council should respond to the current economic situation?
- What things might other partner organisations be able to do to respond to the current economic situation?

A focus group is a form of qualitative research in which a group of people is asked about their attitude towards a product, service, concept, advertisement, idea, or packaging. Questions are asked in an interactive group setting where participants are free to talk with other group members.

This summary picks out the key messages that were repeated in the various focus groups as well as including some of the interesting comments, concerns and suggestions that came from individual residents.

## Summary

There was a high degree of commonality of responses across all economic groups.

**Global Crisis:** Nearly all respondents agreed that the crisis started in the USA and was global in nature; affecting specifically the banks and then filtering through to the whole economy. But there was also an acceptance that we all have a role to play.

**Local and personal affects:** The crisis was by and large affecting everyone who attended in some way. Some had direct experience of redundancy; others were struggling with increasing prices and some were just noticing the effect it was having locally. Nearly every group mentioned the collapse of the Woolworths in Tower Hamlets.

**Prices:** Everyone said that they had noticed the price of their weekly shop going up. Many mentioned shopping at cheaper stores or buying budget brands or just cutting back on luxuries. Utility bills are also rising rapidly and, people felt, causing real hardship to many.

**Jobs and Opportunities:** As people are losing their jobs some respondents felt they need more training and greater opportunities. Indeed, some contributors argued that the local economy was full of inexperienced people, thus people in Tower Hamlets might struggle more. If the council was to get involved it would need to spend money on creating jobs and training people.

**Recycling:** There were differing views on recycling, views ranging from the desire for more recycling to concern that recycling was ineffective and costly.

**Transport Costs:** Many of the contributors believed that transport costs in London were simply too high. They cited the costs of DLR and tube travel and also the increasing costs of the buses as causing hardship to them.

**Parking:** This came up in every session and views were overwhelmingly negative. The contributors feel that the parking charges are too high. Some went as far as to say that it stopped them going out and visiting others in the borough and another contributor claimed that the high parking charges had also damaged the local economy as people would not travel to these places as much.

**Debt:** There was quite a variety of different comments on debt. Some respondents, primarily from the upper income brackets, felt that we, as a society, had all got addicted to debt and felt this was part of the problem. Others, primarily in the lower income groups, felt that the only way to get by at this time was to borrow.

**Council tax:** Views varied from those who were broadly happy with the level of Council Tax but wished to know more about how it was spent to those who felt it was too high. In summary there was support for some council services but also scepticism about how council money is spent and on what.

**Markets:** There was a lot of concern about the state of local markets. Roman Road in particular was mentioned a lot. Apparently, there is a lack of parking near the markets and by changing the bus routes this has also damaged the markets. Others mentioned that the fees charged to use the market damage the retailers and are helping exacerbate the problems of the credit crunch and the local economy.

**Effects on communities:** One group of women were firmly of the opinion that women suffer far more during a recession. They are more likely to be laid off and still find it harder to re-enter the jobs market. The impression of this group was that women needed more support from the council.

There was a concern amongst many groups that young people would suffer specifically. They would struggle to get jobs as many had low skills and therefore might turn to crime. Some groups felt that the crime level was almost certain to go up in the borough because of this.

**Healthy Communities:** One passing comment was that because of the cheap price of chicken and chips in the borough young people would continue to eat there rather than access healthier alternatives.

**Small businesses:** It was felt that small businesses were particularly suffering at this time. This was due to high rents, high business rates and the declining economy. Most of the groups who discussed this topic felt that more support should be given to these businesses.

**ATMs/Bank Charges:** In one of the focus groups there was a feeling that fee charging ATMs and Bank Charges were severely affecting their finances.

**More Information:** There were many occasions during the eight sessions when respondents commented that they would simply like more information. For example, they wanted to know how much was spent by the council and on what. Others wanted more information about recycling and others more information about benefits and how to access them.

**And Finally:** Civility is not dead; one gentleman commented on the rising cost of everything said, 'I can't be a gentleman anymore but I can hold the door open as that's free.'