

# **Officer Decision Making (Housing and Local Services)**

Thursday, 15th July, 2010  
at 10.30 am

## **PLEASE NOTE TIME OF MEETING**

Office of Executive Director of  
Neighbourhoods

This meeting is not open to the public

### **Members**

Executive Director of Neighbourhoods

### **Contacts**

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## AGENDA

Agendas and papers are now available via Southampton Online at  
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1 **DIGITAL TV SERVICE CHARGE - COMMUNAL TELEVISION SYSTEM** (Pages 1 - 6)

Report of the Utilities Manager, seeking approval for matters related to the installation of the new communal digital television system, attached.

Wednesday, 7 July 2010

SOLICITOR TO THE COUNCIL

# Agenda Item 1

<b>DECISION-MAKER:</b>	EXECUTIVE DIRECTOR OF NEIGHBOURHOODS		
<b>SUBJECT:</b>	DIGITAL TV SERVICE CHARGE - COMMUNAL TELEVISION SYSTEM		
<b>DATE OF DECISION:</b>	15 <sup>TH</sup> JULY 2010		
<b>REPORT OF:</b>	UTILITIES MANAGER		
<b>AUTHOR:</b>	Name:	KEITH MEREDITH	Tel: 023 8083 4481
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<b>STATEMENT OF CONFIDENTIALITY</b>			
Not applicable.			

## SUMMARY

The Council needs to install a new digital TV system to ensure all the properties on the existing Virgin Media communal television system are set up to receive a digital TV signal come 2012, the official switchover date for the Meridian area.

This report proposes that following the installation of the new communal digital television system and to recover the cost of the works, a service charge is introduced for all residents that will be connected to the system.

This decision is being made by the Executive Director as Chief Officer who has authority under delegated decision 1.1.8 – “may set, approve or vary following consultation with the relevant Cabinet Member, Head of Finance and the Solicitor to the Council, the scale of fees and charges for all services within their Directorate.

## RECOMMENDATIONS:

- (i) Introduce an estimated service charge for tenants at £0.45 per week per property (£21.60 per annum), this includes annual maintenance;
- (ii) To agree an annual review is undertaken of the maintenance service and to revise the charge for the maintenance element accordingly;
- (iii) To agree the above charge is introduced as soon as the properties have the system installed;
- (iv) To delegate authority to the Head of Decent Homes to revise the charge in future years;

## REASONS FOR REPORT RECOMMENDATIONS

1. Following a successful tender process the Council is employing a contractor (Firstline Digital) to install the new digital television system with on-going maintenance of the system required for up to 5 years.
2. Prudential borrowing is to be used to fund this project and this will be repaid over a 10 year period.
3. For council tenants' this requires a new service charge to be introduced to recover the cost of installation and the ongoing maintenance of the equipment.

4. The service charges will be in place for the duration of the loan period for tenants with only a maintenance charge continuing after this period.
5. Introducing the charges as soon as the property has the system installed will benefit the Council receiving income immediately for the work completed, to balance the cost of borrowing money for this project.

## **CONSULTATION**

6. Council representatives have attended various tenant association/ leaseholder meetings, forums and open days to talk direct to residents on the proposed system, the installation, the programme and costs. A full list of meetings is highlighted in appendix 1.
7. At these sessions the options were explained in detail including the estimated costs of the system and subsequent charge that would be applied.
8. Regular articles have been placed in Tenants Link since December 2007 regarding this project with full consultation in September 2008 on system options.
9. A letter is included in the 2010 summer edition of Tenants Link informing Council tenants that receive a communal television signal of the service charge. They will also receive an individual letter 28 days prior to the introduction of the charge.
10. One tenant and one leaseholder volunteered to be involved in the tender evaluation process and have been kept up to date on progress of the project.
11. Leaseholders have not been consulted separately on this process according to the Commonhold Leasehold Reform Act 2002 due to the value of the work proposed but Council representatives have attended specific leaseholder meetings to update them and also leaseholders have attended resident meetings as noted in paragraph 8.
12. This report was considered by the Cabinet Member for Housing at his briefing on the 23<sup>rd</sup> June 2010 and comments raised were as follows
  - The different processes for charging leaseholders and tenants the cost of this work
  - The differential interest rate charged to tenants and leaseholders

## **DETAIL**

13. In order for Council tenants on the communal TV system to be capable of accessing a digital signal and continue to watch television after 2012 the council is installing a new system.
14. At the start of the project the following options were considered but greater benefits were identified from the IRS+ system and these were rejected.
  - Aerial
  - Cable
  - Internet Protocol Television (IPTV)

These options have not been recommended for one or more of the following reasons; not addressing the ever increasing dish proliferation issues across the city and the possible contravention of planning laws this brings; not

providing the same level of service for all tenants i.e. tower block residents; the tenant consultation process not indicating these as preferred options; not future proofing the system for technological changes and possible television broadcasting developments. A detailed explanation of all the options is included in appendix 1.

15. Following a tender process a contractor has been appointed and work has recently commenced (7<sup>th</sup> June 2010) that will last up to 12 months.
16. The tender process has identified a lower cost for the work than originally estimated and during the contractor interviews it was identified the level of the maintenance required could also be reduced.
17. The initial annual cost for the maintenance has been set at £24,000 as the equipment is covered by a 5 year warranty and this is to cover call outs for work not covered by the warranties.
18. The maintenance service and cost will be monitored annually with the cost reviewed and any amendments made to this element of the charge.
19. Any amendments to charges will follow the correct procedure with notification periods etc and will fall in line with other rent card issues and revision of charges.

## **FINANCIAL/RESOURCE IMPLICATIONS**

All estimates are based on installation to 12,040 tenants and 1,713 leaseholders with a useful life of the equipment of around 15-20 years. (according to industry information).

20. As a result of the tender returns it has been decided to fund this project through a Capital purchase scheme and use prudential borrowing.
21. This would incur revenue costs of £237,000 per annum based on borrowing £1,920,000 over a 10 year repayment period and an interest rate of 4%, plus an initial annual maintenance charge provisionally set at £24,000 per annum.
22. The revenue costs of this option would be charged to tenants by way of a service charge. This is estimated to be £21.60 pa (£0.45 per week). Details are contained in appendix 2.
23. The service charge is estimated as the final cost of the work will not be known until all the work is completed. Therefore an adjustment may be needed in subsequent years to reflect the possible amount to be recovered and any changes in the level of maintenance required.
24. Any future changes to the service charge will be made by officers under delegated power 1.1.8 which states 'Chief Officers may set, approve or vary, following consultation with the relevant Cabinet Member, Head of Finance and the Solicitor to the Council, the scale of fees and charges for all services within their Directorate or Division. The revised scale of fees and charges must be made available on the Council's internet and/or be available in paper form on request'.
25. Leaseholders, as per their agreement will receive a one off charge of £164.46 plus the administrative charge of 15%, for the installation once their block is completed, followed by an annual maintenance charge of £1.75 plus admin of 15%.



### Digital Switchover – Consultation Actions

List of presentations, meetings and communication in relation to the switchover process

1. Tenants Link – December 2007 Issue
2. Sheltered Housing Forum – 26<sup>th</sup> February 2008
3. Tenants Federation AGM – 27<sup>th</sup> March 2008
4. Tenants Link – March 2008 Issue
5. Tenants Federation representatives meeting – 15<sup>th</sup>/16<sup>th</sup> April 2008
6. Albion Towers Tenants Association – 21<sup>st</sup> April 2008
7. Block Rep Forum – 17<sup>th</sup> May 2008
8. Tenants Link – June 2008 Issue
9. Golden Grove celebration open day - 17<sup>th</sup> July
10. Thornhill Block Rep meeting – 23<sup>rd</sup> July 2008
11. Kingsland Estate Event – 24<sup>th</sup> July 2008
12. Lundy/Malin & Rockall Close Residents meeting - 12<sup>th</sup> August 2008
13. Sedburgh Road area consultation event – 12<sup>th</sup> August 2008
14. Weston Court Residents meeting – 21<sup>st</sup> August 2008
15. Tenant Fed digital upgrade working group – 21<sup>st</sup> August 2008
16. Wyndham Court open meeting – 28<sup>th</sup> August 2008
17. Milner Ct/Vaudrey Cl/Howards Gr/Salem St – 2<sup>nd</sup> September 2008
18. Tenants Conference – 13 September 2008
19. Consultation letter sent out with September 2008 Tenants Link
  - a. Telephone calls with individual tenants as a result of this letter.
20. Outcome of consultation and included in December 2008 Tenants Link
21. Tenants Winter conference – 14<sup>th</sup> January 2009
22. Tenants Link – March 2009 – transmitter changes
23. Weston Residents meeting – 3<sup>rd</sup> April 2009
24. Weston Block reps – update on progress – 16<sup>th</sup> April 2009
25. Sheltered Housing Forum – 28<sup>th</sup> April 2009
26. Tenants Link – June 2009
27. Kingsland Open Day Event – 25<sup>th</sup> June 2009
28. Albion Towers resident meeting – 1<sup>st</sup> September 2009
29. Tenants Link – September 2009
30. Tenants Link – December 2009
31. Tenants winter conference – 13<sup>th</sup> January 2010
32. Leaseholders forum – 21<sup>st</sup> January 2010
33. Lundy, Rockall and Malin Close residents – 4<sup>th</sup> February 2010
34. Holyrood residents meeting – 8<sup>th</sup> February 2010
35. Tenants Capital Board 1 - 2<sup>nd</sup> March 2010
36. Tenants Capital Board 2 – 3<sup>rd</sup> March 2010
37. Tender evaluation including tenant and leaseholder reps – 22<sup>nd</sup> March 2010
38. Contractor interviews, including tenant rep – 25<sup>th</sup> March 2010
39. Tenants Link – March 2010
40. Kinloss Court residents meeting – 29<sup>th</sup> April 2010
41. Tenant group meeting, programme development – 30<sup>th</sup> April 2010
42. Block Rep Forum meeting – 22<sup>nd</sup> May 2010
43. Castle House residents meeting – 26<sup>th</sup> May 2010
44. Tenants Link – June 2010

## APPENDIX 2

### Digital TV Recharges

#### Assumptions

PB Interest rate	4.0%
Capita charge	6.1%

Borrowing (no of years)	10
Payment (no of weeks)	48

No of flats	12,878
No of leaseholders (flats only)	1,713
No of tenants (flats)	11,165
No of houses	875
No of tenants (flats + houses)	12,040

Maintenance per year (revenue cost) £	24,000
Original capital cost £	2,101,685
Revised capital cost £	2,074,840

Cost per flat £	155.00
Cost per house £	90.00

#### Calculations

Capital requirement	2,074,840
Capita charge	126,565
Total capital cost	2,201,405

Capital charge to leaseholders (one off)	164.46
Revenue charge to leaseholders (per annum)	1.75

Reduction in capital cost by leaseholder charge (281,711)

Balance to be borrowed 1,919,694

Capital charge to tenant (per week)	0.41
Revenue charge to tenant (per week)	0.04