

Report of Director of City Development

Report to Executive Board

Date: 2nd April 2014

Subject: Generating Income through Advertising

Are specific electoral Wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, name(s) of Ward(s): City & Hunslet In respect of the billboard initiative various wards affected		
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, Access to Information Procedure Rule number: 10.4(3) Appendix numbers: 1a and 1b		

Summary of main issues

1. Operation of the Council's existing billboard sites, including possible expansion of the portfolio, and a new opportunity for a programme of 6 sheet advertising units in the city centre were both put to the market in November 2013.
2. The Council received five offers across both opportunities, the details of which have been evaluated by relevant officers from planning, highways, finance, city centre management and asset management.
3. The outcome of the evaluation is that a preferred offer has been identified to award the operating of the existing council billboard site portfolio, including possible upgrades of existing units and introduction of new sites, subject to securing necessary planning consents.
4. In regard to the new city centre 6 sheet opportunity, the evaluation process has identified a preferred organisation to take through to a second stage which will further develop and refine the proposal as received.
5. The award of the two advertising initiatives detailed in this report provides the potential to realise a significant increase in income for the Council. This supports delivery of the Best Council Plan 2013-17 objective 'becoming a more efficient and enterprising council', specifically the priority of 'generating income for the council'.

Recommendations

6. Executive Board is recommended to:

- (i) Note the contents of the report and the work undertaken to realise advertising opportunities that could potentially deliver a significant increase in income to the Council;
- (ii) Approve, as per confidential appendix 1a, the preferred organisation to operate under licence the Council's billboard site portfolio;
- (iii) Approve, as per confidential appendix 1b, the progression of the named organisation to a second stage of proposal refinement/development in respect of a city centre 6 sheet initiative;
- (iv) Delegate authority to the Director of City Development to agree the final licence award for the city centre 6 sheet initiative; and
- (v) Note:
 - the stages required to implement the decision as outlined in 3.3.5 and 3.4.7; proposed timescales for implementation as outlined in 3.3.5 and 3.4.7; that the Head of Property Services will be responsible for implementation.

1 Purpose of this report

1.1 To seek Executive Board approval to:

- a) Award to the preferred organisation a licence, for a period of 10 years, in respect of operating the Council's billboard site portfolio, along with development of new sites as proposed, subject to the required planning consents being granted; and
- b) Progress the preferred organisation to a further stage of development in respect of installing, operating and maintaining a portfolio of 6 sheet advertising units within the city centre for a period of 15 years, subject to necessary planning consents being secured.

2 Background information

2.1 The Council has for several years facilitated a number of different advertising initiatives in order to generate income, including boundary signs, wage slip advertising, lamppost banners and sites for billboards.

2.2 Since 2006 the Council's billboard site portfolio has been operated under legal agreement by Clear Channel. The portfolio, which currently comprises 23 sites with 46 boards, generated an income of £225,000 in 2013/14.

- 2.3 To ensure the Council achieves maximum value for money from the portfolio a competitive process to enter into a new agreement for 2014/15 and onwards needed to be undertaken in 2013/14.
- 2.4 The income target set for advertising in 2014/15 is £698,000.
- 2.5 To enable achievement of the Council's advertising income target a number of new initiatives have been scoped and considered. Of these, following consultation with planning and highways a decision was made to progress with development of an offer for 6 sheet advertising units within the city centre.
- 2.6 Considerable work has been undertaken over the last 10 months to bring forward both the above mentioned advertising opportunities. Both these opportunities were put to the market in November 2013, with a deadline for submissions of 10th January 2014.

3 Main issues

- 3.1 Current advertising initiatives would achieve c.£285k year on year were the status quo to be maintained. By bringing forward possible enhancements of, and new sites to, the billboard portfolio, as well as the new 6 sheet initiative, the Council could potentially be able to generate, subject to necessary planning consents being obtained, up to £850k. The income target set for advertising in 2014/15 is £698k.
- 3.2 The majority of the potential £850k would be subject to planning consents being secured and therefore income generated in 2014/15 would be pro-rata according to when permission is granted and/or the necessary infrastructure installed on site. For this reason there will be a phasing to the increase in income with 2014/15 seeing a proportionate increase and the full potential realised in 2015/16 or even 2016/17 subject to when planning consents are granted.
- 3.1 If the upper end of this potential income level is to be achieved a number of high value sites/initiatives (from an advertising perspective) need to be delivered, such as the proposed city centre 6 sheet initiative. The city has already seen its first large format digital advertising screen at Trinity, with other similar screens under planning or pre-application consideration. If the Council does not bring forward higher value opportunities to the market, there is the risk that it will miss the chance of securing income.
- 3.2 Billboards
- 3.3.1 In putting the billboard portfolio to the market offers were invited on the following basis:
- The existing site portfolio;
 - Upgrade proposals to the existing portfolio;
 - For three identified new sites at:
 - Clay Pit Lane bridge over the A64(M)
 - West Street Car Park

- Brown Lane East tunnel (A643); and

- Potential additional new sites, as identified by the bidding organisation.

3.3.2 Two offers were received, one from the incumbent organisation, Clear Channel, the other from JCDecaux.

3.3.3 A panel consisting of relevant officers from planning, highways, finance and asset management evaluated the two offers and associated proposals on the following criteria:

- Price;
- Suitability of identified site solutions;
- Timetable for delivery of site solutions;
- Approach to planning;
- Reinvestment programme;
- Maintenance regime;
- Sustainability; and
- Financial & accounting transparency.

3.3.4 The evaluation panel was unanimous in its ranking of the two offers, with one scoring consistently highest. Detail of the financial offers, associated proposals and evaluation summary can be found within confidential appendix 1a.

3.3.5 Should Executive Board approve the recommendation of the evaluation panel, legal terms will be agreed before the licence is signed. It is anticipated the new licence will be effective from 1st August 2014.

3.3 6 Sheets

3.4.1 This is a new opportunity for 6 sheet units, digital or otherwise, throughout the city centre, boundary map for the initiative attached at appendix 2.

3.4.2 In marketing the opportunity the Council was not prescriptive in terms of the number of sites, instead inviting the market to lead on proposing locations. To assist in identifying appropriate locations the Council's Advertising Design Guide (supplementary planning document) was provided within the published material, and also specifically the following considerations were highlighted:

- Proximity to listed buildings;
- Creation of visual clutter with other street furniture;
- Impact on vehicle access/movement;
- Effect on pedestrian flow;
- Impact on views and panoramas;
- Possible light pollution on neighbouring premises; and
- Sustainability of design.

3.4.3 The process for awarding the opportunity has been designed as two staged, with the initial stage being the submission of outline proposals. The second stage will seek to further develop and refine proposals to a point where the Council has an acceptable proposition upon which to offer the licence to the preferred organisation.

3.4.4 Three proposals were received following the marketing of the opportunity, from Clear Channel, JCDecaux and Media Co.

3.4.5 Again, a panel of relevant officers from planning, highways, finance and asset management, as well as city centre management, evaluated each proposal and associated financial offer. The criteria used for the evaluation were:

- Price;
- Suitability of identified locations;
- Visual appeal of the proposed units;
- Timetable;
- Re-investment programme;
- Installation & maintenance regime;
- Sustainability; and
- Financial & accounting transparency.

3.4.6 All three proposals have now been evaluated and a single organisation identified that the evaluation panel recommends taking through to stage 2 of the process. Details of all the financial offers and associated proposals can be found at confidential appendix 1b.

3.4.7 It is anticipated that stage 2 of the process will be concluded at the latest by the end of July 2014, with planning permission being sought thereafter. On this basis it is likely that installation of the units will be January 2015.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 The Executive Members for Development and the Economy, and Neighbourhoods, Planning and Support Services have been consulted both prior to the publication of the opportunities and also on the proposals received.

4.1.2 Officers from planning, highways and finance were involved in the evaluation of offers received in respect of both opportunities. In addition an officer from city centre management was on the 6 sheet evaluation panel.

4.1.3 Any potential upgrades or new sites put forward by the successful organisation will be subject to consultation in due course, as per planning requirements.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 An Equality, Diversity, Cohesion and Integration Screening has been completed and has not highlighted any areas of concern, therefore a full impact assessment is not required for the approvals being sought. The screening document is attached at appendix 3.

4.3 Council policies and City Priorities

4.3.1 The Best Council Plan 2013/17 has as one of its objectives 'becoming a more efficient and enterprising council', the two advertising initiatives detailed in this report, if realised, will support this objective, and specifically the priority of 'generating income for the council'.

4.3.2 In negotiating the detail of licences in respect of both opportunities the Council will seek a specific exclusion of advertising pay day and high cost lenders, to support the City Priority of tackling poverty.

4.3.3 The Council will also seek to secure some advertising time to support its Best Council priorities.

4.4 Resources and value for money

4.4.1 If the recommended offers for both the billboard portfolio and the city centre 6 sheets were to be accepted, and delivered as anticipated by officers (details in confidential appendices 1a and 1b), an increase in income is likely to be achieved in 2014/15 (potentially up to £500k), with income at or in excess of the annual target level (£698k) from 2015/16 onwards.

4.4.2 In respect of the billboard site portfolio the Council will achieve an income from sites that would otherwise not be used. The sites would in fact cost the Council in terms of maintenance, e.g. grass cutting and cleansing, a requirement and therefore cost which would be transferred to the licence holder.

4.4.3 The proposed advertising initiatives have no significant resource implications over and above that required for routine contract management and dealing with planning applications as per the normal planning process.

4.5 Legal Implications, Access to Information and Call In

4.5.1 The Executive Board has authority to discharge any function in relation to the management of land, (including valuation, acquisition, appropriation, disposal and any other dealings with land or interest in land) and Asset Management.

4.5.2 The information in confidential appendix 1a and 1b, attached to this report, relates to the financial or business affairs of particular organisations and the Council. This information is not publicly available from the statutory registers of information kept in respect of certain companies and charities. It is considered that since this information relates to financial offers that the Council has received in response to a published invitation to bid for the opportunities in questions it is not in the public interest to disclose this information at this point in time. Also it is considered that the release of such information would or would be likely to prejudice the process

under which the Council is seeking to award the two licences for billboard sites and city centre 6 sheet units. It is considered that whilst there may be a public interest in disclosure, this information will be publicly available upon award of the licences and consequently the public interest in maintaining the exemption outweighs the public interest in disclosing this information at this point in time. It is therefore considered that this element of the report should be treated as exempt under Rule 10.4.3 of the Access to Information Procedure Rules.

4.6 Risk Management

- 4.6.1 The most significant risk associated with both the billboard sites and 6 sheet licences is that the financial offers shall be adversely affected by the inability to secure planning consent for upgrades to existing sites and/or new sites. In evaluating the submitted offers the associated site proposals were assessed by officers from planning and highways as to their acceptability. From this it was possible to calculate the likely impact upon the offers and therefore establish a realistic expected income level.
- 4.6.2 As part of the submission criteria bidders were required to submit financial accounts for the last two years, along with credit rating information. The Council's finance service has assessed the information and judged that all organisations which have submitted a proposal are financially sound.
- 4.6.3 As both opportunities are progressed through to licence award and future development appropriate processes will be put in place as per the Council's standard risk management approach.

5 Conclusions

- 5.7 Between them, the two opportunities detailed within this report have the potential to generate a significant increase in income to the Council. There would be an incremental increase in income due to the need to secure planning permission for enhanced and/or new sites. Nonetheless it is highly likely that an increase in income would be realised in 2014/15 and that in 2015/16 and onwards further increases, once necessary planning consents have been secured, would enable annual income targets in the region of £698k to be achieved, and even potentially exceeded.
- 5.1 Without moving forward with new initiatives, such as the city centre 6 sheets and developing those that already exist, the ability of the Council to generate income will remain relatively low in comparison to what could potentially be achieved, and indeed is already being achieved by other large cities..

6 Recommendations

- 6.1 Executive Board is recommended to:
 - (i) Note the contents of the report and the work undertaken to realise advertising opportunities that could potentially deliver a significant increase in income to the Council;

- (ii) Approve, as per confidential appendix 1a, the preferred organisation to manage under licence the Council's billboard site portfolio;
- (iii) Approve, as per confidential appendix 1b, the progression of the named organisation to a second stage of proposal refinement/development in respect of a city centre 6 sheet initiative; and
- (iv) Delegate authority to the Director of City Development to agree the final award of the city centre 6 sheet initiative.
- (vi) Note:
 - the stages required to implement the decision as outlined in 3.3.5 and 3.4.7;
 - proposed timescales for implementation as outlined in 3.3.5 and 3.4.7; and
 - that the Head of Property Services will be responsible for implementation.

7 Background documents¹

7.1 None.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.