



Report of the Director of City Services

Executive Board

Date: 15/11/06

Subject: Advertising on Lamp Posts

Electoral Wards Affected:

ALL

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In

(Details contained in the report)

EXECUTIVE SUMMARY

A street lighting PFI contract has been procured within the affordability threshold contained within the Final Business Case considered and approved by Executive Board on 17th February 2006 without the need for support from advertising income.

Concurrent with the above PFI procurement a trial of advertising on lamp posts was initiated. This report presents the results of the trial. They show that there is public support for raising income from this form of advertising, provided that the adverts are not located in residential areas. Significant income streams could be achieved which would be used to fund energy price increases. Issues relating to planning advertising consent, highway safety and visual impact of the adverts have also been explored. While initial soundings suggested that the city could sustain some 2000 lamp post adverts, the trial has shown that, in resolving the above issues, the number of advertising sites reduces to the mid-hundreds.

Public consultation showed there was support for lamp post advertising in the city centre and such sites could be valuable income generators. However there were no city centre sites installed so some aspects of the trial criteria remain untested.

This report seeks approval in principal to a policy of advertising on lamp posts with authority to commence procurement. It also recommends that the trial contract arrangement be extended and varied to enable up to ten trial sites to be installed in the city centre.

1.0 Purpose Of This Report

- 1.1 This report describes the lamp post advertising trial and its findings.
- 1.2 The report also reviews other issues pertinent to advertising on lamp posts including the provisions within the Street Lighting PFI contract to generate third part income and the outcome of a soft market testing exercise that has been recently undertaken.
- 1.3 A future strategy on lamp post advertising is proposed as a means to generate income to support service provision

2.0 Background Information

- 2.1 The Street Lighting PFI Outline Business Case (May 2004) contained an assumption of income generation from 2% of the new lamp posts to be installed as part of the PFI. In advance of submissions from bidders research was undertaken that identified lamp post advertising as the most viable form of income generation from street lighting. A number of issues identified by this research required resolution before a proposal could be progressed. In order to determine the outstanding information and test public acceptance of the concept, a trial advertising project was undertaken.
- 2.2 At the time of the street lighting PFI contract negotiations a number of outstanding issues still remained unresolved, most significantly a lack of finalised Supplementary Planning Documentation. It was therefore not possible to consider inclusion of an advertising element within the PFI contract. No provision was included for third party income within the PFI service provider's affordability model or the city councils affordability analysis. The contract does however enable advertising income to be introduced at a later date.
- 2.3 With continued pressures on the budget, not least of which is the increase in street lighting energy costs, the need to raise income is still as relevant as it was when the trial was initiated.
- 2.4 Sufficient information has now been collected and analysed to report fully on the trial findings. The Advertising Design Guide is to be considered by the Executive Board at it's meeting on 15th November 2006 as Supplementary Planning Documentation. In addition a document giving guidance on advertising content is appended to this report at Appendix 1.

3.0 The Street Lighting Advertising Trial

3.1 Trial Objectives

The street lighting advertising trial contract was awarded in June 2005. The contract allowed for the installation of up to 100 advertising attachments on lamp posts across the city in a trial programme. The trial is planned to terminate with the removal of advertising material from lamp posts before 1st January 2007.

- 3.2 The trial aimed to determine a number of issues:
 - Public reaction to the advertising and the views of local communities;

- Views of members to the merits of the project;
- Views of local businesses as to the value of the advertising;
- Likely impact on the Supplementary Planning Document;
- Issues relating to the planning approvals process;
- Issues relating to the highways approvals process and any adverse health and safety issues;
- Potential scope of the project;
- Appropriate locations / streets;
- Marketability of the advertising;
- The likely financial implications of the street lighting PFI;
- Comparative information to inform decisions of the nature of the Authority's relationship with a prospective advertising provider.

3.3 Trial Installations

52 '6-sheet' double sided advertising panels have been installed under the street lighting advertising trial contract ('6-sheet' is a standard size of outdoor advertising material, the same size as the panels commonly used to advertise on bus shelters). No significant operational problems have been reported to date although 6 further sites where advertising consent was granted were abandoned due to unsuitability for installation.

4.0 **Trial Conclusions**

4.1 Public Reaction to the Advertising and the Views of Local Communities

From the submission of the initial planning applications a considerable amount of public interest was generated resulting in unsolicited comment on both the principle of street lighting advertising and the content of adverts. An article in 'About Leeds' requested comments from the public and resulted in 18 responses, 14 of which were opposed advertising on the highway but based on respondents general opposition to advertising rather than knowledge of the particular proposed format. Three of the 14 responses were from the same address.

4.2 Civic Trust responded in relation to planning applications and a presentation was made at one of their meetings. Their concerns are also about advertising in general and whether the street lighting proposals comply with the council's guidance on advertising. The Supplementary Planning Guidance document is being presented to the Executive Board for approval following full statutory consultation, including with the Civic Trust.

4.3 Questions on lamp post advertising were included in the Citizens' Panel Survey of January 2006. From 611 respondents, 69% agreed that advertising on lamp posts is a reasonable way of raising money to fund street lighting. 25% disagreed with this method of raising funds.

4.4 A public consultation on lamp post advertising in Leeds was carried out by QA research in May 2006. A postal survey was sent to 5000 households located in the vicinity of the trial sites. 456 were returned. A further 457 responses were returned on line, giving a total response of 913. Overall 62% of respondents agreed that advertising on lamp posts is a reasonable way to raise money to improve council services. There was majority support for locating adverts in local shopping areas, industrial areas, the city centre and main roads. However 80% said they disagreed with locating them in residential areas. 68% said the lamp post adverts were no different or better than bill boards while 65% thought they were no different or better than bus shelter adverts. The percentages were higher for those who said they had actually seen the lamp post adverts.

4.5 Views of Members to the Merits of the Project

Members have been engaged in the trial process in a number of ways. The initial batch of planning applications generated questions from Members. Consultation procedures were consequently improved for the second batch with the Service Provider writing in advance to Members advising them of the proposal. Many of the approval decisions were consequently called in for consideration by planning panel, rather than being determined by officers under delegated powers.

4.6 Queries relating to the control over the content of the adverts, including discussion of lamp post advertising at full council on 11th January, have resulted in further guidance being prepared on this subject. This addresses the role of the Advertising Standards Agency and covers all forms of advertising in public open space, whether managed by the council the highway and council land or privately managed on private land. Where the advertising content is within the control of the council, the guidance identifies boundaries to the advertising content and describes the process through which any concerns will be managed. The guidance is attached as Appendix 1.

4.7 Views of Local Businesses as to the Value of the Advertising

Views of local businesses were sought via the Leeds Chamber of Commerce email communication sent to 3,000 recipients in August 2006. Although 34 recipients accessed the survey on-line only one response was submitted. The exercise was repeated in September and this time no responses were forthcoming.

4.8 Subsequently 300 business contacts were emailed directly and asked to complete the survey. This approach achieved an improved response rate with 24 completed surveys returned. The majority of these respondents believed street lighting advertising to be an effective media for advertising. The proportion of respondents who believed the advertising to be effective was greater for those who had seen the trial installations when compared to those who had not.

4.9 Responses were split evenly between those who believed they would consider advertising on the panels and those who expressed no interest. 63% of respondents said they would be more likely to advertise on lamp posts if they were illuminated during the evenings.

4.10 Likely Impact on the Supplementary Planning Document and Issues Relating to the Planning Approvals Process

While a draft 'Advertising Design Guide' had been developed by Planning Officers, the timetable to complete the sustainability survey, consultation processes and

adopt the guide as did not coincide with the PFI procurement and as such was a significant factor in the decision not to take forward advertising for inclusion in the PFI contract.

- 4.11 The Supplementary Planning Documentation is being presented to the Executive Board for approved on 15th November 2006. Prior to approval, uncertainty with regard to the planning criteria to be applied to advertising applications had a major impact on the potential number and locations of advertising sites. As such the council's ability to negotiate a commercially advantageous advertising contract was previously severely limited. The approved guidance is consistent with the criteria used to identify trial sites.
- 4.12 With regard to the planning advertising application process, several improvements were been adopted as the trial applications progressed. These improvements increased the success rate of applications by ensuring pre-application discussions were held with Planning and Highways Development Control Officers. Members were informed in advance of applications planned for their wards and applications were submitted in batches with sufficient information for them to be considered.
- 4.13 Issues Relating to the Highways Approval Process and Any Adverse Health and Safety Issues
- Highways criteria devised for the purpose of the trial are now included within the Supplementary Planning Documentation. These criteria address issues of health and safety, both in relation to the safety during the process of changing the adverts and the wider issue of adverts causing driver distraction, obstructing visibility etc. These constraints are more restrictive than the present locations of adverts on bus shelters and the current practices of other authorities.
- 4.14 For each of the sites in the trial, before and after personal injury accident records have been assessed. The before data took the three years prior to the advert installation. Obviously the after period is short. However the results show no evidence that safety has been compromised by the presence of the adverts. The situation will continue to be monitored.
- 4.15 This is supported by a research report from the University of Nottingham which assesses the effectiveness of outdoor media on the ability to attract attention and pervade memory. The conclusions suggest that, because lamp post adverts are outside the normal viewing window of drivers, they attract attention when the driver has spare capacity but do not distract when attention needs to be focused elsewhere.
- 4.16 Potential Scope of the Project and Appropriate Locations / Streets
- The trial sites were identified with reference to draft planning and highways safety criteria consistent with that since incorporated in the Advertising Design Guide. The Advertising Design Guide is consistent with the findings of the public consultation exercise in so far as roads which are primarily residential are stated to be generally unsuitable and predominantly commercial and industrial areas are stated to be generally suitable. However, the public consultation exercise revealed majority support for advertising within the city centre, the Advertising Design Guide states that conservation areas (e.g. much of the Leeds City Centre) to be generally unsuitable. However all future advertising applications would be assessed on a case by case basis.

4.17 The highways safety considerations applied to the identification of trial site locations and now included in the Advertising Design Guide preclude sites within the public highway on roads with a speed limit greater than 40mph, sites along highways that are within “sites for concern” or “lengths for concern” (i.e. they have a high accident injury history).

4.18 Marketability of the Advertising

Site utilization (i.e. the percentage of site space sold at any one time) varied over the course of the trial between 25% and 72%. Site utilization is expected to increase over time as awareness of the sites increases and are included on national databases. In addition the relatively small number of sites available to advertisers and their uneven distribution across the city is likely to have had a limiting effect on sales volume.

4.19 Net yields (i.e. the income generated by utilized sites) were in line with council and service provider expectations for the trial exercise. Interest from media buyers and advertisers was high both locally and nationally.

4.20 The Likely Financial Implications of the Street Lighting PFI

As described in paragraph 2.2 above no provision was included for third party income within the city councils affordability analysis for the Leeds Street Lighting PFI at contract outturn. However, provision was made in the contract for possible future income generating opportunities as detailed in paragraph 5.1.

4.21 Comparative Information to Inform Decisions of the Nature of the Authority's Relationship With a Prospective Advertising Provider

Council officers have been able to derive an increased understanding of the costs, risks, and potential commercial value associated with generating income through advertising on lamp posts that will benefit any future procurement.

5.0 The PFI Contract

5.1 Under the terms of the Street Lighting PFI contract the council is able to place advertising on up to 2000 lamp posts without further negotiation with the Service Provider. The city council may also earn income from other attachments to Apparatus (with the same financial implications).

5.2 Any street lighting advertising contract would need to be delivered in conjunction with the ongoing PFI core investment programme which will see 80% of the city's lamp posts replaced over a 5 year period. Coordination will be required to avoid unnecessarily replacing or relocating lamp posts. Such an approach is likely to mean that roll out of advertising sites and therefore potential income to the council will be 'ramped up' over the duration of the PFI core investment programme.

6.0 Soft Market Testing

6.1 A soft market testing exercise has been carried out to inform the assessment of the potential scope, value and delivery of street lighting advertising in Leeds. Discussions have taken place with leading outdoor advertising companies, media buyers and industry representatives.

6.2 Potential Scope of Street Lighting Advertising

Feedback from advertising industry consultees was consistent:

- Volume of sites should be sufficient to offer advertisers a presence throughout Leeds and allow media buyers to place national campaigns;
- Distribution of sites should take in all of the city;
- City centre sites would add significant value to any advertising proposition.

6.3 Estimates of the current capacity for 6-sheet advertising, in addition to existing advertising predominantly on bus shelters or commercial premises, range from 300 – 600 sites. Significant commercial interest in tendering to deliver street lighting advertising in Leeds was expressed.

6.4 Marketability of the Advertising

The level of income generated by advertising on lamp posts in Leeds is dependent upon the appeal of the portfolio of sites to advertisers and media buyers. The sites must be of sufficient number, distribution and sited in viable locations to appeal to local and national advertisers. With the inclusion of city centre sites within the portfolio the income yield per site would be increased across the portfolio. In addition the city centre sites would generate significantly greater levels of income than sites elsewhere in the city.

6.5 Without the inclusion of city centre sites estimates of potential income based on market data range from £200k to £400k pa dependent on number, location and distribution of sites. The city centre could double the value of lamp post advertising income to the council.

7.0 **Proposals**

7.1 In order to maximise income generation for the council from street lighting advertising the following requirements need to be met:

- optimised number of sites to meet the demands of the market;
- distribution of sites throughout Leeds in order to offer advertisers city wide coverage;
- inclusion of sites within the city centre.

7.2 To date no street lighting advertising has been trialed within the city centre. It is therefore proposed that a maximum of 10 trial city centre sites be installed and their acceptability and viability be tested before any longer term installations are planned. It is anticipated that the sites will be mainly away from traffic routes. Various media options could be tested, including “street TV”. This involves only static images, but they can be changed as frequently as every 30 seconds. The media also offers the opportunity for moving text to display travel information and emergency / community messaging. The trial will test the planning advertising consent process and potential income generation. While the public have already give support to such advertising in the city centre, further views will be sought, including from local businesses.

- 7.3 A full scale advertising procurement is proposed that will allow the council to receive tenders for a single contract to supply, install and maintain street lighting advertising apparatus and to provide the services necessary to sell, install and manage advertising content. The contract will cover the whole of Leeds but will initially exclude the city centre.
- 7.4 It is proposed that the same procurement will give the flexibility to expand the scope of the contract into the city centre, if the trial of city centre sites supports this conclusion.
- 7.5 The procurement would not grant advertising exclusivity over any form of advertising except for advertising on lamp posts.
- 7.6 The current advertising trial will conclude on 31st December 2006. However the procurement programme of a full scale advertising contract means that the new contract will not be signed before July 2007. By the time advertising consents have been secured and suitable lamp posts installed, the first income to the council is unlikely to come on stream until 2008.
- 7.7 The trial sites now have a significant value to the council as established and proven sites. If the advertising consents on these sites is allowed to expire and they are consequently withdrawn from the market, their commercial value will be reduced as the successful advertising service provider would have to apply for and have granted advertising consent for the sites. This would also deprive the council of potential income from the sites while the contract is procured. Application is therefore being made to extend the advertising consent on the existing sites from 1st January 2007. Subject to the approval of this report, the contract with the service provider for the trial will be extended to give the council continuity of lamp post advertising income until a full scale advertising contract is procured. The trial of the city centre sites will be procured under the same contract arrangement.

8.0 Timetable

- 8.1 The current trial project will conclude on 31st December 2006.
- 8.2 In order to extend operation of the trial sites advertising consent applications were submitted in October 2006.
- 8.3 The service provider for the trial will continue to operate these site, potentially up to 31st December 2007, at which stage it is intended that they should transfer to the project service provider as operational sites.
- 8.4 The proposed city centre trial will be initiated in December 2006. It is estimated that obtaining advertising consents and on site installation will take up to July 2007. A twelve month trial period will then be required to assess income levels and reaction to the sites and to make the provision of the installations a viable proposition for the trial service provider. If the trial is successful the sites can then transfer to the project service provider, again as operational sites.
- 8.5 A procurement of a full scale advertising contract will commence immediately with contract award anticipated for July 2007. Application for advertising consents and installation of new advertising columns will be co-coordinated with the street lighting PFI core investment programme which continues into 2011. The first new sites are expected to be operational by January 2008.

9.0 Consultation

- 9.1 Consultations have taken place as part of the advertising trial as described under the trial conclusions.
- 9.2 The advertising industry has been consulted as part of the soft market testing.
- 9.3 The service provider for the trial contract has been consulted and is agreeable to the proposals being made.

10.0 Resource Implications

10.1 Staff

It is anticipated that the procurement and management of a street lighting advertising contract will be delivered by City Services within existing resources with support from the Public Private Partnerships Unit.

10.2 Budget

The minimal costs to the council associated with delivery of street lighting advertising will be funded from the income generated and will generate a significant net income to the council.

11.0 Implications For Council Policy And Governance

- 11.1 This report establishes the council's policy on advertising on lamp posts and is consistent with the Advertising Design Guide - Supplementary Planning Guidance document.

12.0 Recommendations

- 12.1 That the Board:

- i) approves the principal of advertising on lamp posts in Leeds;
- ii) authorises officers to vary the trial contract arrangement with the service provider to enable up to 10 trial sites to be installed in the city centre;
- iii) authorises officers to commence procurement of an advertising contract to include supply, installation and maintenance of advertising panels;
- iv) Notes the content of the Advertising Content Guidance document.

13.0 Background Papers

- 13.1 Confidential Addendum on income generation - The public interest in maintaining this addendum as exempt outweighs the public interest in disclosing the information by reason of the fact that it contains commercially sensitive information which, if disclosed, could be prejudicial to contract negotiations
- 13.2 Appendix 1 - Advertising Content Guidance