

CABINET

13 November 2018

Title: Income Generation through Advertising Strategy	
Report of the Cabinet Member for Finance, Performance and Core Services	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
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Accountable Strategic Leadership Director: Tom Hook – Director Policy and Participation	
Summary <p>Income generation opportunities such as outdoor advertising and sponsorship are important contributors to the success of the Council, not only in terms of revenue generation but also for fostering and promoting civic pride through borough-wide marketing. The Council has previously taken steps to generate income from these opportunities, mainly through individual contracts which annually bring in approximately £53,000 of revenue. However, some long standing contracts are in place which require the Council to pay business rates on behalf of the supplier, which significantly impacts on the viability of these long-standing arrangements. With additional costs incurred by the Council to promote the borough's activities, the total net income into the Council diminishes.</p> <p>The management of income generation from advertising sits within the council's Film Office, a key income generating vehicle of the council. In May 2018, Out of Home Media (OOHM) were commissioned by the Film Office to undertake a scoping exercise to identify opportunities to increase income through outdoor advertising in the borough. The report identified opportunities for further income into the Council ranging from £115k to £270k per annum, by both maximising value from current contracts, re-tendering others, and additional advertising potential over a two-year period.</p> <p>The political vision for advertising is ambitious, with the desire to utilise the most commercially attractive locations in the borough for the expansion of large, digital format advertising sites where viable. This is consistent with the findings in the OOHM report which advocates focussing on high income, larger advertising sites and reducing the number of small advertising locations in the borough.</p>	
Recommendation(s) <p>The Cabinet is recommended to:</p> <p>(i) Agree to the appointment of Out of Home Media Consultancy to deliver the strategic approach to advertising and achieve the recurring income generation targets of between £115,000 and £270,000 per annum;</p>	

- (ii) Agree the approach to reduce the number of small format advertising sites and focus on maximising income from large scale advertising development in the most commercially attractive locations in the borough;
- (iii) Agree to move to a digital advertising infrastructure where commercially viable, while at the same time maximising income from some carefully selected existing advertising stock;
- (iv) Delegate authority to the Director of Policy and Participation to approve the final procurement strategies for each project following consideration and endorsement by the Procurement Board in accordance with the Council's Contract Rules;
- (v) Delegate authority to the Director of Policy and Participation, in consultation with the Cabinet Member for Finance, Performance and Core Services, the Chief Operating Officer and the Director of Law and Governance, to conduct the various procurements in accordance with the strategy set out in the report and enter into the contracts and all other necessary or ancillary agreements with the successful bidder(s); and
- (vi) Agree to the design and implementation of an outdoor advertising policy to cover the enforcement of illegal fly-posting and street banner advertising.

Reason(s)

The proposals in the report would promote civic pride through borough wide marketing, in line with the Council's priorities of growing together and maximising wider benefit to the community to ensure that no-one is left behind.

1. Introduction and Background

- 1.1 Income generation opportunities such as advertising and sponsorship are important contributors to the success of the council, not only in terms of revenue generation but also fostering and promoting civic pride through borough-wide marketing. LBBDD have previously taken steps to generate income from these opportunities, mainly through individual contracts which annually bring in approximately £53k into the council.
- 1.2 Whilst such contracts generate income for the council, there are opportunities to further maximise income by taking a more strategic and holistic view of advertising across the borough.
- 1.3 The borough's new regeneration sites, Barking Riverside, Beam Park and the A13 redevelopment bring with them fantastic opportunities for advertising, both in larger format, smaller format and ambient form. They also increase opportunity to look at advertising potential from a planning perspective, or at planning application stage to ensure that advertising related income generation opportunities are factored in to development from the outset.
- 1.4 Digital is rapidly being perceived as the industry's future and as such this is where the bulk of capital budgets are being concentrated. In fact, some of the main

companies (such as JC Decaux) are currently targeting digital development almost to the exclusion of any other and 'culling' or discontinuing many of their more commercially marginal traditional sites. Although digital displays command greater revenues, they also cost a lot to install and therefore the choice of location is key to ensuring commercial viability.

- 1.5 Currently across the borough there are a limited number of traditional (paste and paper) type large 'bill board' format advertising sites, and a very limited supply of higher quality back-lit and digital large format panels. Because most of the larger stock was erected before the current stricter regulatory environment, the majority of it has lacked investment over the years and is now of low to average quality.
- 1.6 By contrast, small format advertising sites within the Borough are high volume, ranking in the top 15% of London Boroughs in terms of panel numbers. The stock is predominantly traditional in nature comprised mainly of back-lit units some of which have scrolling capabilities.
- 1.7 Both large and small advertising stock in the borough is at odds with the demands of today's market which is very much focused on the more limited, but targeted use of digital versions of the product.
- 1.8 The council's main advertising contract is currently with JCDecaux for fixed standing units and presents the largest opportunity for re-tendering. The current contract allows the council to advertise internal marketing campaigns on one side of the JCDecaux site at a cost to the council of £9,600 per annum plus NNDR business rates of £18k per annum. This contract has been in place for the past 23 years. This arrangement is not considered fit for purpose and the contract is due to be terminated on the 12 November 2018. As an interim measure, the council is looking to re-negotiate a much more favourable six-month extension with JCDecaux to run from November / December 2018, which will run whilst the strategic approach to advertising set out in this report is rolled out.

2. Assessment of Advertising in Barking and Dagenham

- 2.1 In May 2018, Out of Home Media carried out a stock take of the borough's advertising infrastructure, current contracts and future potential for increased income generation. OOHM have niche expertise in the advertising field and experience of working with public sector organisations to income generate through advertising. Overall the assessment identified the following in Barking and Dagenham:
 - 2.2 Large Format Sites – current position and recommendations:
 - There is a relatively limited supply of traditional (paste and paper) type large 'bill board' format panels in the borough, although all major operators (JC Decaux, Primesight and Clear Channel) have a presence.
 - There is a very limited supply of higher quality back-lit and digital large format panels.
 - The council owns only three large format sites - two near the Barking Learning Centre, one on the A13 and one off Rainham Road South. The rest are either illegal or have been erected on private land
 - A 'less is more' approach is advocated which focusses upon meeting the current

under-supply (and likely demand for) high quality digital sites.

- It is important to note that findings from the review undertaken by OOHM are based on the current advertising and sponsorship landscape plus untapped income opportunities based on LBBB's existing stock. The report did not explore, and therefore does not include in its forecast any new income generation opportunities on new regeneration sites in the borough (e.g. Riverside).
- Based on the focus of existing stock, the report identified the borough as representing a challenging environment for the further development of media sites due to largely 'residential streets' which are not conducive to the establishment of large format panels. The borough currently lacks the more expansive commercial areas where the space, scale and setting is more appropriate for such development. Thus, the income estimation has a large difference between upper and lower opportunity.
- The majority of larger sites are likely to predate the current stricter regulatory environment. Due to their relative scarcity, media owners have been reluctant to give them up or invest in them because they are not in areas that lend themselves to digital formats. Hence most of the large format stock in the borough is of low to average quality.

2.3 Small Format Sites – current position and recommendations:

- By contrast, small format activity within the Borough is quite prolific with Barking and Dagenham ranking in the top 15% of London Boroughs in terms of panel numbers.
- The majority of stock can be attributed to Council's own Borough-wide fixed stand unit contract (see section 5 of the OOHM report) coupled with the JC Decaux/TfL bus shelter contract. This is supplemented by a small number of units on private land and those associated with the larger supermarket chains.
- The stock is predominantly traditional in nature comprised mainly of back-lit units some of which have scrolling capabilities. This is at odds with the demands of today's market which is very much focused on the more limited, but targeted use of digital versions of the product.

2.4 Digital Potential – current position and recommendations:

- There should be a focus on the use of more sophisticated digital advertising formats, and locations should be carefully targeted to ensure the best use and exposure of this product.
- The demand for the more versatile digital format has not been adequately addressed and is currently taking the form of ad-hoc telecoms units. There is an opportunity to rectify this by the impending 6-sheet fixed stand unit tender (see section 5 of the OOHM report (attached as a background paper to this report) which should focus predominantly on the establishment of high-quality digital locations.
- The focus on digital would produce a relatively healthy income via the establishment of relatively few units.

3. Proposal and Issues

- 3.1 Current advertising contracts include illuminated lamppost banner advertising, branding on street furniture (O2 benches), signage and promotional selling on highways. Overall, these contracts are low value, collectively generating just over £9,000 per year in income, with no cost to the council. It is recommended that the illuminated banner advertising contract be reviewed prior to contract renewal in 2019, and that there be a formalisation around promotional selling on highways through the introduction of a licencing scheme. It is recommended to keep the existing contract arrangements for the advertising on street furniture and for signage.
- 3.2 The council also generates an income of £44,700 from sponsorship on roundabouts and temporary directional signage in the borough. In the review by OOHM, the Council's Film Office was praised for its management of these contracts and for the levels of income it generates from them, unseen in many other boroughs. The OOHM review did however highlight potential to increase sponsorship from roundabouts by 25%, and on premium sites by 50%. The amount of income from sponsorship on roundabouts could be increased further if all 12 roundabouts in the borough were utilised.
- 3.3 The OOHM report also identified potential non-secured advertising opportunities, including school poster sites, boundary sites, lamppost and railing banners and bus stop advertising which will be reviewed as part of the strategic approach set out in this report.

4. Income Generation Potential and Costs

- 4.1 The following figures are based on the eventual result of the implementation of the proposals set out in this report over a timescale of 2 years.

4.2

Format Type	Lower assumed income figure per annum	Higher assumed income figure per annum
Large format	£30,000	£100,000
Small format	£80,000	£140,000
Ambient or sponsorship opportunities	£5,000	£25,000
TOTAL	£115,000	£270,000

- 4.3 Although the figures provided should be viewed as indicative, they are based on sound assessment, taking into account of the scale and nature of opportunities available, demand and supply profiles associated with the prevailing media market (both national and local), an informed view of associated planning considerations and the accommodation of other factors relevant to delivery within a local authority context.
- 4.4 No assumptions have been made for budgetary purposes until the relevant agreements are established and income streams actually secured. In order for this to be achieved, it will be essential that advertising matters are dealt with in a

pragmatic and flexible way but yet one that accommodates the Council's policies and sends consistent and reliable messages to the advertising community.

- 4.5 A procurement exercise will be undertaken for the renewal of the JCDecaux contract which is currently in place and due to be terminated on 12 November 2018. Separate procurement strategy reports will be presented to procurement board before a tender process is carried out. It is also vital that associated tender processes are well informed and opportunities presented to market in the way most likely to illicit an optimal market response. Attendant operational agreements should be fit for purpose, conform with standard industry practice and expectation whilst properly covering Council risk and securing viable and sustainable commercial terms that represent best value for the life of the arrangement.

Costs

- 4.6 It is anticipated that by entering in to a contract (up to two years) with Out of Home Media Consultancy to deliver the strategic approach to advertising set out in this report, the Council will generate an income that is between the low and high estimates set out in 4.2. Therefore, based on a realistically achievable estimate income of £115,000 pa from year one onwards, total fees to OOHM are forecast at (including initial £15,000 paid for the scoping report) £61,000.
- 4.7 If the Council decided to extend the contract terms with OOHM by a further 12 months, the total contract spend would be anticipated at £84,000.
- 4.8 As the contract fee is made from a fixed fee plus a commission % base fee, these figures may fluctuate.

5. Consultation

- 5.1 Conversations have been had with My Place in their role as asset owners in relation to potential enforcement issues around advertising, and the Communications and Campaigns team have also been consulted in relation to the council's ability to promote campaigns with a reduced small format stock. In light of the approach to increase the number of larger format sites and digitise advertising formats, it is believed that there will be an overall positive impact to the Communications and Campaigns team.
- 5.2 Legal, Procurement and Finance were also consulted and the recommendations to procure OOHM were agreed at Procurement Board Sub-Group on 1 October 2018.

6. Financial Implications

Implications completed by: Lance Porteous, Finance Business Partner

- 6.1 This report details the potential for generating considerably more income for the Council (figures in paragraph 4.2), which could contribute positively towards the budget challenges LBBB faces over the coming few years. The costs of generating this income are estimated in paragraphs 4.6 to 4.8 and would be well covered by the additional income.

6.2 However, these are only ranges of estimates, so the actual budget savings that can be taken will only be confirmed over the coming 6 to 12 months.

7. Legal Implications

Implications completed by: Kayleigh Eaton, Senior Contracts and Procurement Solicitor, Law and Governance

7.1 This report sets out an income strategy through the procurement of various advertising contracts which will need to be tendered in accordance with the Council's Contract Rules and the Public Contracts Regulations 2015, where the cost is in excess of the EU thresholds.

7.2 Individual strategy reports should be presented to the Procurement Board for approval prior to the tendering exercise being carried out.

7.3 Before entering into any contract, the Law and Governance team will be available to assist and advise on the terms and conditions of such agreements.

8. Other Implications

8.1 Risk Management

Risk	Probability	Impact	Priority	Action
Potential downturn in market	Med	Med	Low	Market is focussing largely on digital formats which is in line with the approach set out in the scoping report.
Forecast income is not generated	Low	High	Low	Forecast income figures range from between £115k and £270k. With very little investment required from the council, there is confidence that the lower end figure is easily achievable.
The council is unable to promote campaign messages due to reduced small format stock which they currently utilise.	Medium	Medium	High	Look to increase promotion via digital channels, and work with services to carefully select outdoor advertising sites for campaigns advertising.

8.2 **Staffing Issues** - The proposals will not initially necessitate the need for additional staff. However, it may be necessary to review this in the future depending on how much income generation through advertising increases and if there becomes a need for a more strategic 'one stop shop' which is set up to deal with all advertising related needs.

- 8.3 **Corporate Policy and Equality Impact** – All identified advertising and sponsorship sites will be evaluated for their equalities impact on an individual basis.
- 8.4 **Safeguarding Adults and Children** – no perceived impact.
- 8.5 **Health Issues** – no perceived impact.
- 8.6 **Crime and Disorder Issues** – no perceived impact.
- 8.7 **Property / Asset Issues** – The council owns very little advertising infrastructure in the borough. As new advertising or sponsorship infrastructure sites are identified, any issues will be worked through on a site by site basis.
- 8.8 **Environmental Issues** – Any sites or proposals for advertisements in the borough must not add to street clutter, detract from the urban-scene and need to be designed to respect their context, with suitable regard to public safety. The emerging policy on this area requires advertisements to be unobtrusive, avoid harm to the streetscape, heritage assets or conservation areas. Advertisements should allow the free movement along the public highway of all users and not impact adversely on trees, especially those protected by Tree Preservation Orders (TPOs). Where illuminated signs are considered acceptable they should normally only be statically illuminated. Hoardings must not be located within or harm the visual amenity of residential areas, Metropolitan and Local Open Space, areas of natural conservation value or Green Belt. Outdoor advertisement may be considered acceptable in a Conservation Areas or on a Listed Building but certain criteria must be met so as to avoid harm.

Public Background Papers Used in the Preparation of the Report: None

List of appendices: None