

BUSINESS CASE - ADVERTISING ON HIGHWAY ASSETS



OVERVIEW/SUMMARY OF STUDY

The purpose of this Business Case is to update the portfolio holder on the progress of advertising on Council assets across the City and to seek approval on the recommended option so that PCC can advertise on highways assets such as lighting columns and roundabouts.

Providing commercial advertising opportunities on Council assets has become a normalised means to generate income as part of a raft of measures to mitigate financial burdens. Council assets are often uniquely placed in high traffic/footfall areas and so are desirable locations for businesses to advertise to local people.

Until 2019, an external company provided a managed service for banner and sign advertising for PCC; this contract was terminated for a number of reasons. There are numerous options available to move forward with providing this opportunity to local businesses in the future:

The following options have been explored:

- Option 1 – do nothing
- Option 2 – undertake procurement exercise for managed services
- Option 3 – undertake procurement exercise using framework such as ESPO
- Option 4 - delivery in-house

Option 3 and option 4 are both viable options but there is a political drive to manage this opportunity in-house to enable PCC to control the process and to keep the income in the Council to support Highways budgets and within Plymouth. Lessons have been learned from the recent contract which was terminated and the decision has been that this could be more successfully managed internally. This would mean that 100% of the income stays within Plymouth, PCC can use an approved contractor to install and decommission banner signs and it will be a good opportunity to create long and lasting relationships with local businesses.

It is recommended that this project is launched on the 1st October 2022, and is reviewed after one year to see whether the in-house option is still preferred.

Next Steps:

- Obtain approval via Executive Decision to launch the project
- Obtain approval via Executive Decision of an Advertising Policy
- Launch the PCC webpage with a 'promote your business with us' web address. A draft of which has been designed and is awaiting publishing: Promote your business with us | PLYMOUTH.GOV.UK
- Install PROMOTE HERE banners/signs across the City
- Implement staff processes and commercial training
- Pilot this project and review periodically
- Relevant departments continue to execute the process for the advertising/ sponsorship opportunities in their own department
- Continue to join up the promotion of advertising/sponsorship opportunities from other departments and add to the web page as appropriate.

KEY DRIVERS/SUPPORTING INFORMATION

Context/background

In 2016, PCC procured a concessionaire to provide a service to market and contract advertising/sponsorship opportunities on Highways assets. The contract was terminated in 2019 for a number of reasons. Customers completing a customer satisfaction survey uncovered several areas of dissatisfaction including: delays in installation of adverts, negative experiences of communication, change in specification with no notice, less than satisfactory customer service, and a service not representing value for money.

After termination of the contract in 2019, the assets in question have been passed over the Highways team to manage with the aim of PCC being able use advertising opportunities to directly develop relationships with businesses and that all income can be kept in Plymouth. Due to covid-19 and other work pressures, the opportunity of in-house advertising hasn't been fully explored until recently.

In Scope

- Roundabout signs
- Landscape verge signs
- Lighting Column Banners
- Car park posters

Out of Scope

- Roundabout banners (currently being managed by Highways)
- Bus pass distribution advertising (currently being managed by Sustainable Transport)
- Park and Ride banners (new opportunity to be explored)
- Car park ticket machine vinyl wraps (new opportunity being explored)
- Event sponsorship (existing service by Events Team)

Current position

Highways currently have ownership of roundabouts and lighting columns. Contracts with customers who were with the previous advertising provider were honoured and signs have now been removed.

Legislative Impacts

All Highways legislative requirements for safety audits will be undertaken.

This is not a statutory service so therefore the Council intends to use charging powers under the Localism Act 2011 for the provision of this service.

Charging Powers under the Localism Act 2011

Whilst the Council does have the general power of competence under the Localism Act 2011, it can only use such powers for the purposes of charging if all of the following conditions are fulfilled:

- The Council is providing a service to a person otherwise than for a commercial purpose;
- There is no pre-existing power available to the Council to charge for this service;
- The service does not consist of a statutory function that the Council is obliged to provide to the person;
- The person has agreed to the provision of the service;

The general power of competence can be used to charge for a service but it is subject to a duty to secure that, taking one financial year with another, the income from charges do not exceed the cost of provision.

Risks – if work is done

- Small reputation risk if process is not clear
- No interest from businesses
- Takes more staff time than anticipated to manage contracts
- Bus shelter contract may preclude lighting column banners in certain high traffic area

Risks – if work is not completed

- Loss of potential income generation for the Council
- Profits made from advertising go to private companies who are not based in Plymouth

Dependencies

None

SWOT ANALYSIS

	Positives	Negatives
Internal	<p>Strengths</p> <ul style="list-style-type: none"> • Existing infrastructure and sites with planning permission already in place • Advertising at high footfall/traffic sites such as Royal Parade will be seen by shoppers, commuters in cars, commuters on buses making the opportunity attractive for local businesses. • All income generated from advertising opportunities will be retained by PCC • PCC has control over sites, planning permission applications, marketing, contracts, prices, income generated and customer relations. • Already had businesses interested without promoting this opportunity 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Volume of PCC staff time to co-ordinate and pitch to the businesses • Costs incurred from South West Highways for installation (though offset by revenue generated)
External	<p>Opportunities</p> <ul style="list-style-type: none"> • To generate income for Plymouth City Council • Promote opportunity on banners for a small cost • Development of easy access single point of information web page to link up marketing with other advertising opportunities from across PCC • Due to Covid-19 businesses may be keen to remarket themselves so that customers know that they are now open • Developing relationships with businesses who have a customer base in Plymouth • Implementing discounts for multiple purchases • Differential charging for high profile areas, e.g. Royal Parade. 	<p>Threats</p> <ul style="list-style-type: none"> • Lack of interest from businesses • Hidden costs such as it taking more staff time than expected • Bus shelter contract may exclude commercial advertising on any asset within 25m of a bus stop.

MARKET ANALYSIS/ASSESSMENT

Income generation opportunities such as outdoor advertising and sponsorship are important contributors to the success of Councils. While income generation alone cannot mitigate the financial burden Councils face,

it is becoming increasingly important to ensure that they are financially robust, resilient and offering quality services that are competitive in the wider market.

The most common types of advertising opportunities offered by Councils include:

- Roundabout/verge plaques
- Banners
- Lamp post banners
- Bus stops
- Internal (to staff via payslips)
- Car park signs/posters
- Bins/car park machines
- Magazines and newsletters
- Digital/website (to the public)
- Refuse vehicle wraps

Roundabout advertising/sponsorship has the longest history in terms of Councils offering advertising space on a commercial or sponsorship basis, with the majority of Councils offering this type of opportunity. In a sample of 30 Councils 2/3rds manage their advertising/sponsorship internally, the remainder opting for a service provided by an outside organisation. Plymouth City Council has provided a low key roundabout advertising/ sponsorship scheme for some time.

There are fewer examples of Councils using lamp post banners commercially. Many retain them for their own promotion and publicity purposes but do not use them commercially. Desktop research has uncovered 23 Local Authorities who promote commercial opportunities on lamp posts as a means of income generation. Nine (39%) manage this internally whilst the remaining 14 (61%) prefer to use an external agency.

The market for advertising on Council assets is dominated by a small number of key organisations and companies who tend to specialise in specific types of advertising, these include:

- Bay Media – The leading company utilised by seven of the Council's for lamp post banner management, banner advertising being their speciality. There is no indication of prices for Bay Media opportunities on either the relevant Council website or the Bay Media website.
- CP Media - Used by 4 of the Councils in the sample to promote advertising on banners, CP Media work in partnership with councils across the country offering roundabout sponsorship from £10 per day (£3,640 per year).
- Market Force - Work in over 100 Council areas including London, Cardiff, Cambridge, Suffolk, Norfolk, Buckinghamshire, Redcar and Cheltenham. Covering 31% of England the company specialises in implementing and managing sponsorship schemes allowing councils to maximise their highway assets by creating a significant revenue stream. Mainly focus on roundabout plaques and signage and do not provide price guidance on their website.

These companies offer to manage the entire process for Local Authorities, including applying for planning permission, installation and removal of banners and contract management with customers. Other competitors in the advertising market include large international companies such as JCDecaux and Clear Channel. The focus of these larger companies tends to be more digital screens and bus stops rather than print advertising such as banners.

Who are our customers:

Customers for this opportunity will be local businesses and some businesses outside of Plymouth who are interested in advertising in the City. These businesses will be interested in promoting their brand and business to get visibility in the City. These businesses could be profit making, charities and not-for-profit businesses.

CAPABILITY REVIEW

Triple Bottom Line

Financial: will generate additional income for PCC

Social: will be an opportunity to work with local businesses and secure a long term relationship with them

Environmental: introduction of return discounts encourages businesses to reuse their banners for a following 3 months so that there is less production and time installing and decommissioning banners.

Skills- PCC have a contract with South West Highways and installing and decommissioning the banners can be added to this contract

Assets- See asset map (Appendix 1)

Stakeholders - Portfolio holder, Local businesses

Funding/investment – Banners, signs and posters with 'promote your business here', are ready to be installed once approved (Appendix 2).

TIME SENSITIVITY

Launch date will be 1st October 2022.

OPTIONS ANALYSIS	
Option 1	<p>Option 1 - Do nothing:</p> <p>Not offering any advertising/sponsorship space on lighting columns, continuing with current ad hoc arrangements for roundabout and verge advertising/sponsorship.</p> <p>Advantages:</p> <ul style="list-style-type: none"> • Won't take any additional officer time and resources <p>Disadvantages</p> <ul style="list-style-type: none"> • No additional income to support highways budgets • Won't support the Council's funding gap • Won't be able to create long lasting relationships with businesses • Not maximising assets • No set process or fee structure in place so at risk of reputation damage if continue ad-hoc
Option 2	<p>Option 2 - Undertake a procurement exercise for Managed Services</p> <p>Whilst this option may potentially provide a procurement solution to the advertising/sponsorship arrangements previous experience with this type of contract has provided for ongoing issues with both customers and the contracted company who have not returned the expected income to PCC in line with the contract. Using an external company to manage the opportunities means that the income won't be staying in Plymouth (if awarded to a company outside of the City) and that PCC won't be getting 100% of the income.</p> <p>Advantages</p> <ul style="list-style-type: none"> • Procurement process managed by PCC • Less staff time to implement contracts as will be managed by procured supplier • Will generate some income to contribute towards council budgets <p>Disadvantages</p> <ul style="list-style-type: none"> • PCC has already undertaken this type of procurement, the contract was unsuccessful and ended in premature termination of the contract by PCC • The previous contractual arrangement damaged relationships with local businesses • Despite having a contractual agreement with the previous provider the activity did not realise any income for PCC • Time taken and costs involved in undertaking a PCC procurement exercise • Depending on who wins the contract, some of the income would go outside of Plymouth • Potential to not generate as much income as predicted.
Option 3	<p>Option 3 – Undertake a procurement exercise using a Framework such as ESPO</p> <p>The ESPO framework provides for management of commercial advertising space within lot 6 which provides for customers wishing to contract with an organisation that specialises in securing and managing the commercial advertising or sponsorship of customer owned space. The framework provides a select list of service providers, all with a proven and successful track record of providing advertising solutions. Immediate Solutions are included on this list, yet despite having a clear and binding contract PCC have been left out of pocket and with poor customer management under the contract.</p> <p>Whilst this option may potentially provide a procurement solution to the advertising/sponsorship arrangements previous experience with this type of contract has provided for ongoing issues with both customers and the contracted company who have not returned the expected income to PCC in line with the contract. Using an external company to manage the opportunities means that the income won't be staying in Plymouth (if awarded to a company outside of the City) and that PCC won't be getting 100% of the income.</p>

	<p>Advantages</p> <ul style="list-style-type: none"> • Have framework speeds up the procurement process as framework is compliant with the UK/EU procurement legislation • Staff don't have to seek businesses to advertise as this will be managed as part of the contract • Less staff time as will be managed through contract • Will generate some income to contribute towards council budgets <p>Disadvantages</p> <ul style="list-style-type: none"> • PCC has already undertaken a procurement exercise with a supplier, the contract was unsuccessful and ended in premature termination of the contract by PCC • The previous contractual arrangement damaged relationships with local businesses • Depending on who wins the contract, some of the income would go outside of Plymouth • Will have to pay a retrospective rebate to use the framework which is approximately 1% of the framework turnover. ESPO reported a profit of a record £4m in 2020. • Adding an extra decision maker into the process (ESPO rule 23e: the Director of ESPO shall have the authority to accept a Tender but in any particular circumstance may decline to give approval and refer the decision to the ESPO Management Committee to determine). • Less direct control over the terms of the contract that is procured (ESPO rule 25b: In determining and negotiating the terms and conditions of Contract, the Procuring Officer must ensure that the appropriate Standard Terms and Conditions are incorporated unless the Procuring Officer having consulted the Director of ESPO and the Director of Law and Governance considers it inappropriate to do so. • Potential to not generate as much income as predicted.
<p>Option 4</p>	<p>Option 4 - Deliver in-house</p> <p>Offering an in-house service would allow PCC to control all aspects of the process that have been problematic and expensive with our previous concessionaire. From managing customer relations to arranging for safety audits/planning permission internal management would give PCC the opportunity to retain any income generated from the opportunity to support Highways budgets.</p> <p>Advantages</p> <ul style="list-style-type: none"> • 100% of the income stays within PCC • No costs for the project for procurement frameworks or procurement time • Control over terms and conditions • Can start to create and develop long and lasting relationships with local businesses • Maximise use of assets to generate income • Ability to add more assets as they become available • Already have businesses asking to advertise on our assets so this will enable this to happen • Can link up with City centre company and visit Plymouth to maximise opportunities and spread the word about the opportunity • Can use our corporate social media channels • Learnt lessons from previous contract • Can promote the opportunity on existing banners for a small cost <p>Disadvantages</p> <ul style="list-style-type: none"> • Will require officer time to liaise with businesses • Not experts in advertising compared to suppliers • Potential to not generate as much income as predicted

RECOMMENDATION

Option 4 is recommended

Option 2 and option 4 are both viable options but there is a political drive to manage this opportunity in-house to enable us to control the process and to keep the income in the Council to support Highways budgets and within Plymouth. Lessons have been learned from the recent contract which was terminated and the decision has been that this could be more successfully managed internally. This would mean that 100% of the income stays within Plymouth, PCC can use an approved contractor to install and decommission banner signs and it will be a good opportunity to create long and lasting relationships with local businesses.

It is recommended that this project is launched on the 1st October 2022 and is reviewed after one year to see whether the in-house option is still preferred.

Pricing structure recommendation

A range of assets have been identified across the City which can be used for advertising purposes. Planning permission has been sought historically for these assets from the previous contract with Immediate Solutions, any assets that are added at a later date would need to ensure that they have planning permission (if necessary).

Lighting Columns

There are 24 lighting columns available, all city centre based, for businesses to advertise on for a 3 month period with the opportunity to extend.

Single aspect - £300 per 3 month period (including VAT)

Double aspect - £500 for 3 month period (including VAT)

Roundabout and verge signs

There are 27 roundabouts and 12 landscape verges across the city where signs can be installed. Prices vary depending on the location and start from £2,400 (including VAT), this has already been launched and is being trialled by the highways team.

There are return and multi-buy discounts available on lighting columns, banners and roundabouts:

- Return customer discount: 40% discount of renewals for another 3 months
- Multi-buy discount: 10% discount for purchases of 5+ banners/signs
- Return customer + Multi-buy discount: 50% discount for renewal of 5+ banners/signs

Income predictions

Initial income predictions have been made to estimate how much income could be generated realistically in years 1-3 for lighting columns only. Roundabouts are already being provided by the Highways team and are being trialled, it is a different price depending on location so income predictions have not been included in this paper at this time. Banners can be leased on a 3 month lease arrangement and can be renewed if the customers' requests and will get a return discount. Customers will also get a multi-buy discount if they purchase more than 5 banners. The initial income predictions for banners are shown in table 1.

Type of banner	Year 1		Year 2		Year 3	
	Volumes	Income	Volumes	Income	Volumes	Income
Single Banner	9	£2,250	16	£4,000	18	£4,500
Double Banner	5	£2,083	10	£4,167	12	£5,000
Single banner - renewal	3	£450	8	£1,200	10	£1,500
Double banner - renewal	2	£500	5	£1,250	6	£1,500
TOTAL	19	£5,283	39	£10,617	46	£12,500

The following assumptions have been made for these income predictions:

- Assume no uptake in first 3 months due to mobilisation
- Assume that a business will only buy a 3 month renewal making it a max of 6 months
- 50% of businesses would want to extend their contract for another 3 months
- There would be a 50% more uptake of double aspect banners compared to single aspect due to visibility
- No discount has been applied for the multi-buy discount (more than 5) in this model at this stage

This opportunity has been priced at full cost recovery in line with the market rate and will generate a small surplus/contingency in case costs are higher than anticipated and will support Highways budgets. This is a new opportunity and needs to be tested and reviewed periodically. If it takes more staff time or supplier prices rise then the price to customers will need to be adjusted to ensure that PCC aren't making a loss on this opportunity.

Marketing: Promote your business with us

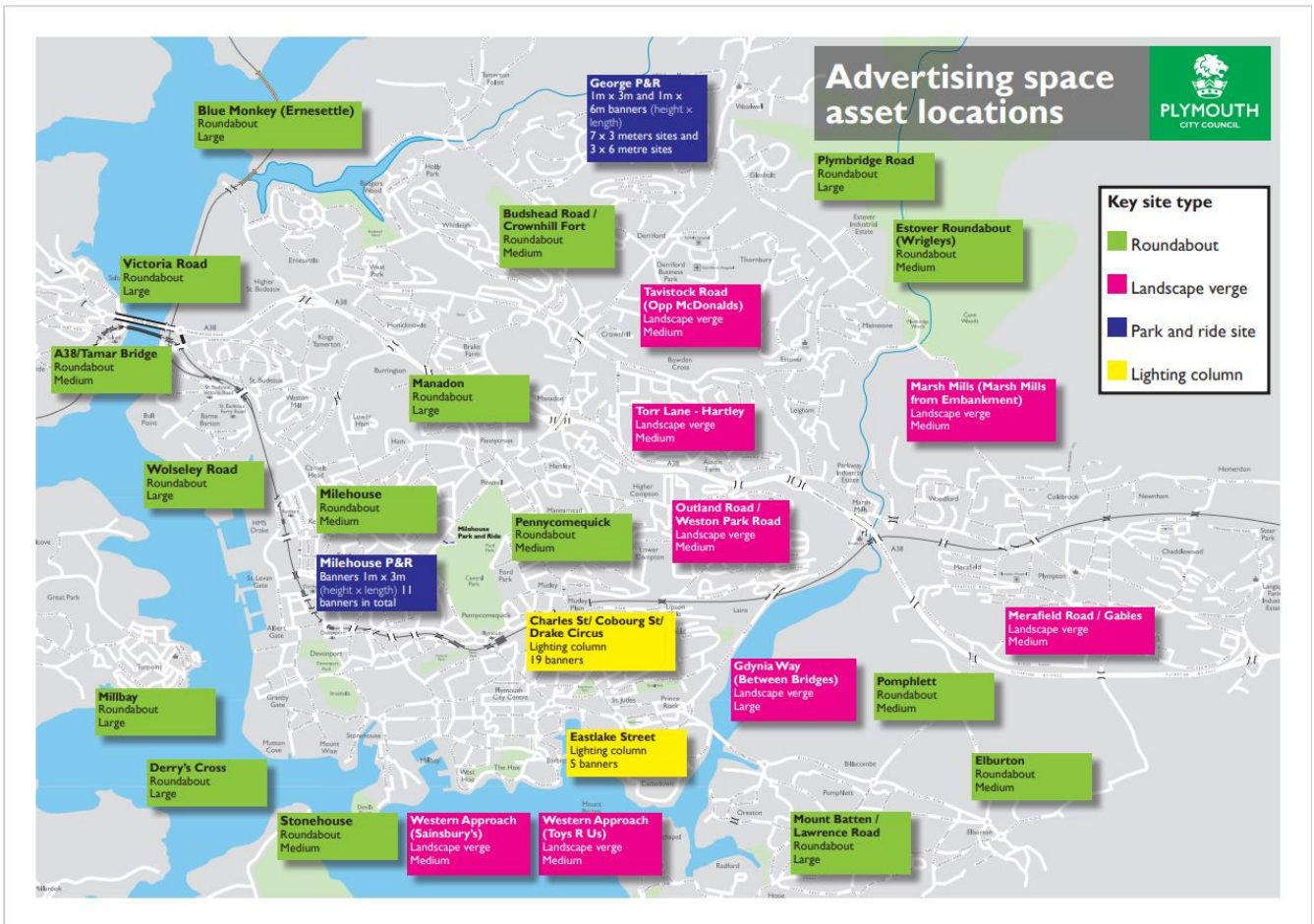
To launch the project it is recommended a number of marketing activities are undertaken:

- 'Promote your business here' banners – Each of the lighting columns that are available for customers will carry a 'Promote your Business Here' banner. The banners have been designed by PCC's graphics department. There are 24 banner locations across the city centre where the 'promote here' banners will be displayed, banners are printed and available for installation on approval of the start date.
- Digital - A new web page has been prepared with the domain name of [Promote your business with us | PLYMOUTH.GOV.UK](https://www.plymouth.gov.uk/promote-your-business-with-us). is going to be used for other advertising opportunities as well to allow businesses to view all advertising opportunities in one, easy to find location. The web page has information on the different advertising/sponsorship opportunities that are available, FAQs, design specifications, contact details etc.
- E-newsletters - A short marketing spiel will be sent out in e-newsletters 2 x a month advertising this opportunity to local businesses via Plymouth Waterfront Partnership, Destination Plymouth and the City Centre Company.
- Social Media - This opportunity is not enough to warrant its own social media page at this stage but could be in future. With Communications teams permission this opportunity could be posted on the PCC Facebook page. Highways to engage with communications team to see whether this is something they can promote on the main page.

NEXT STEPS

- Obtain approval via Executive Decision to launch the project
- Obtain approval of the Advertising Policy via Executive Decision
- Launch the PCC webpage with a 'promote your business with us' web address. A draft of which has been designed and is awaiting publishing: [Promote your business with us | PLYMOUTH.GOV.UK](https://www.plymouth.gov.uk/promote-your-business-with-us)
- Install PROMOTE HERE banners/signs/posters across the City (already purchased)
- Implement staff processes and commercial training
- Pilot this project and review periodically
- Relevant departments continue to execute the process for the advertising/ sponsorship opportunities in their department
- Continue to join up the promotion of advertising/sponsorship opportunities from other departments and add to the web page as appropriate.

Appendix I: Asset Map



Appendix 2: 'Promote your Business Here' banner design

