

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL
EXECUTIVE MANAGEMENT TEAM'S REPORT TO CABINET

8 February 2017

1. Income generation project

Submitted by: Head of Communications

Portfolio: Finance, IT and Customer

Ward(s) affected: All

Purpose of the Report

To inform Cabinet of the award of a contract to generate income from commercial advertising as part of a joint project with the private sector.

Recommendations

That Cabinet supports the appointment of Stragegi Solutions Limited in Newcastle-under-Lyme in the terms outlined in this report.

Reasons

To meet continuing pressures on local government finance as well as increased demand and customer expectations, councils will be required to find innovative and alternative means of generating income. This project is an example of how this council is taking steps to achieve these goals by working alongside the private sector.

1. Background

- 1.1 During the early part of 2014, the Council began discussions with senior figures at Staffordshire Sentinel News and Media with the aim of jointly developing new income streams. The aim of this partnership was to try and dovetail the talents and skills of the private sector with those in the public sector for the mutual benefit of both organisations.
- 1.2 A scheme was eventually devised which involved developing advertising opportunities using billboards and car parking signage on council-owned land.
- 1.3 The Council would:-
 - a) Identify appropriate sites in its ownership for billboards/signage.
 - b) Submit planning applications.
 - c) Procure the construction of quality infrastructure to accommodate advertising.
 - d) Maintain the sites which form part of the project.
- 1.4 Our private sector partners would:-
 - a) Utilise their contacts to secure local advertisers.
 - b) Work with advertisers on artwork and its installation.
 - c) Billing and customer enquiries/relations.

- 1.5 Planning applications for freestanding car parking signs were submitted and approved in August 2014 at School Lane and Goose Street car parks in Newcastle.
- 1.6 Applications for the erection of the Council's first advertising hoardings as part of this project - in Barracks Road, Newcastle and Congleton Road, Butt Lane - were approved in December 2014.
- 1.7 Delays in procuring an appropriate company to construct the hoardings meant that it wasn't until May 2015 that the first boards were erected with the first advertising appearing in late August/September of that summer.
- 1.8 Two further applications for hoardings have subsequently been approved and there are currently seven advertising hoardings in place as part of this unique project and these are at Barracks Road, Newcastle (3); A34 Lyme Valley, Newcastle (1); A34 Parkhouse Industrial Estate, Newcastle (1) and Congleton Road, Butt Lane (2).
- 1.9 There have been changes to the car parking signage and although Goose Street in Newcastle has been retained, planning permission was given for the other car parking signs to be moved from School Street to the Council's car park at King Street in Kidsgrove.

2. **Issues**

- 2.1 There are a number of arrangements in place across the country which involve the private and public sectors working together to generate income. Some even involve advertising hoardings and signage but none mirror the operating model which has been jointly developed and put into action by the Council and its partners at Staffordshire News and Media – which later became the Local World Group – and is now in the ownership of Trinity Mirror.
- 2.2 Since it became fully operational in late summer 2015, it has been welcomed by local advertisers and income has been successfully generated for both partners.
- 2.3 However, in recent months it has become clear that while the Council would now like to see the project grow as it seeks to develop income streams to meet the ongoing financial challenges facing local government, our private sector partners feel it more prudent for them to focus on their “core business.”
- 2.4 With this in mind, both partners agreed it would be appropriate for the Council to secure a new arrangement and a procurement process was undertaken via the MyTenders website. This process has been completed amicably.
- 2.5 An Invitation to Quote was uploaded on 10 October 2016 and the call for quotations was posted to all providers listed under two categories – advertising and other marketing – which meant targeting a total of around 170 potential providers.
- 2.6 Despite this, only one response was returned within the appropriate time period and this was from Strategi Solutions Limited from Newcastle-under-Lyme. Your officers are of the opinion that this may be largely due to the unique nature of the project.

3. **Options Considered**

- 3.1 As part of the procurement process, a range of evaluation criteria were included in the documentation which was uploaded to the MyTenders site.

- 3.2 MyTenders is an online portal which is used by more than 700 public organisations in the United Kingdom. It enables organisations to publish and manage tender notices and to meet their OJEU publication requirements as well as their obligations under the European Treaty to ensure an appropriate level of advertising is reached for all contracts.
- 3.3 The weighting factors for the assessment of submissions were:-
(i) Financial benefits to the Council – 40 per cent.
(ii) Track record – 30 per cent.
(iii) Potential for growth of the project – 10 per cent.
(iv) Approach/methodology proposal – 10 per cent.
(v) References – 10 per cent.
- 3.4 Although only one submission was received, it has still been assessed against the criteria included in the procurement process. It has also been benchmarked against financial returns secured during the time the project has been in place with the Council's initial partners.
- 3.5 Your officers are satisfied that Strategi Solutions Limited have put forward a strong proposal which will enable income objectives to be met.
- 3.6 Two other options have been considered as a way forward. However, both would involve moving away from the innovative delivery model already in place; the likelihood that the Council would have to accept a reduction in the current 50:50 income sharing arrangements which have been in place since inception and which are proposed by the new partners. and also more of a back seat in terms of how the project evolves.
- 3.7 One of the main benefits of the current project is that it has evolved at a pace and a style which suited both partners at particular moments in time.
- 3.8 The first option considered involves an external company coming in and carrying out an evaluation of all council assets, what they might be worth to the Council, the types of businesses that might be interested and their potential for generating income. This piece of work could take up to 10 weeks to complete and cost up to £10,000.
- 3.9 The other option which has been closely considered involves the introduction of a trial, or concession agreement, which will allow the Council to test the market for the value of its assets while generating revenue at the same time. This arrangement allows councils to avoid implementing lengthy tender processes due to the contract having no initial value.
- 3.10 The partners would survey all sites/potential sites; map and capture site types, measurements and locations; steer proposals through the planning process; liaise with the highway authority and other stakeholders etc.
- 3.11 For trial schemes such as the one outlined above, a simple template agreement is used which saves the Council's legal team working on drafting contracts. This template agreement is used with several other councils around the country and provides a suitable framework to ensure that the Council is legally protected.

4. **Proposal**

- 4.1 It is proposed that Newcastle-based Strategi Solutions Group is offered a contract which will be for an initial period of two-years and will be subject to a mid-term and end of contract review.

- 4.2 This will consider evidence that all objectives of the project are being met. If this is shown to be the case then there will be an option of extending for an additional 12-month period.
- 4.3 If objectives are not being met then the Council will proceed with the second option outlined above which involves the recruitment of an external specialist who will be asked to provide a wholly managed solution for council assets in relation to advertising income.

5. **Reasons for Preferred Solution**

- 5.1 The bespoke nature of this project – how it was conceived, grown and developed – means that it is not directly replicated anywhere else in the country.
- 5.2 Proof of concept has been achieved. This is borne out by the fact that income has consistently been generated since inception and there is strong and consistent interest in the available space from local advertisers.
- 5.3 Although Strategi Solutions Limited is a relatively new local company, key senior personnel have a long and distinguished background with some of the best known brands in North Staffordshire. In addition, several of the members of staff have had a long association with this project, through their involvement with previous partners, and are therefore extremely well-placed to support its continued growth and development.
- 5.4 Income targets outlined in the proposal document submitted to the Council by Strategi Solutions Limited have been benchmarked against previous years and compare favourably.

6. **Legal and Statutory Implications**

- 6.1 There are no legal or statutory implications which have a direct impact on this project. All advertising materials will confirm to Advertising Standards Authority guidelines.

7. **Financial and Resource Implications**

- 7.1 Proposals put forward by Strategi Solutions Limited indicate annual profit projections for the scheme of between £42-66,000 gross depending on occupancy rates for the hoardings and car park signage. The contract stipulates profits will be shared on a 50:50 basis.
- 7.2 These projections are based on current assets and if the number of assets available to the project grew then so too would annual profits.
- 7.3 All capital investment has so far been achieved from within existing budgets.
- 7.4 Detailed breakdowns on how income will be generated have been supplied to the Council from Strategi Solutions Limited but as this is of a commercially sensitive nature and has therefore not been included with this report.
- 7.5 All of the Council's hoardings have been built by the Titchfield Group which is the market leader and the UK's largest provider of "Out of Home" advertising services. Funding for the hoardings and car park signage has come from within existing budgets.

8. **Major Risks**

- 8.1 Physical risks to the public from the hoardings- or signage – are minimised by using the market leader and also submitting design drawings as part of the planning process.
- 8.2 All advertising displays and materials will be covered by the Advertising Standards Authority rules and regulations and therefore there will be no risks to the Council.
- 8.3 The agreement which has been proposed by the Council indicates it has final approval on any materials displayed.

9. **Key Decision Information**

- 9.1 The report raises issues affecting more than two wards so this is a key decision and was included on the Forward Plan.
- 9.2 It is estimated that the total income to the Council over the period of the contract could potentially exceed £50,000 hence a requirement to sign the contract under the Council's seal.

10. **Earlier Cabinet/Committee Resolutions**

- 10.1 None

11. **List of Appendices**

- 11.1 None

12. **Background Papers**

- 12.1 None