

Decision maker: Cabinet 29th June 2017
Subject: Digital Advertising
Report by: Director of Finance & Information Service
Wards affected: All
Key decision (over £250k): No

1. Purpose of Report

1.1 The purpose of this report is to seek approval for the further investigation of digital poster advertising opportunities and to commence a "multiple lot" procurement for the provision of digital advertising assets within the City.

2. Recommendations

2.1 It is recommended that:

- (i) in order to explore further the potential digital advertising opportunities within the City, the council embarks on a tender exercise to identify the optimum mix of digital advertising within the city and the most appropriate operating model.
- (ii) the tender exercise takes the form of a "multiple lot" strategy reserving the right to choose between lots and award in any combination. The lots being structured as follows:
 - Lot 1 - Location Hard Interchange - Model 1
 - Lot 1 - Location M275 (iconic structure) - Model 1
 - Lot 1 - Location Eastern Road - Model 1
 - Lot 1 - Location Way Finders - Model 1
 - Lot 2 - Location as per Lot 1 - Model 2
 - Lot 3 - Existing advertising sites (subject to serving notice)
 - Lot 4 - Toilets (and news-stands)
 - Lot 5 - Wireless advertising (Beacon technology)
- (iii) Subject to a satisfactory financial appraisal approved by the Section 151 Officer, the Director of Finance & Information Service in consultation with the Leader of the Council be given delegated authority to award in any combination the Lots outlined in recommendation (ii) above.
- (iv) Subject to meeting the MTRS spend to save criteria, of payback within 4 years, any "upfront" investment costs arising from the award of Lots 2, 3, 4 or 5 be funded from the MTRS reserve.

3. Background

- 3.1 A key strand of the Council's Medium Term Financial Strategy is to transform to an entrepreneurial council through income generation.
- 3.2 Digital is an emerging poster advertising format with only 10% of UK poster advertising sites being digitised. However, income from these sites represents 50% of total market revenue.
- 3.3 Suitable digital poster advertising sites within the city therefore offer potentially significant income generation opportunities for the Council.
- 3.4 Digital poster advertising locations identified, at this stage, as being suitable for further investigation are:
 - I. The Hard Interchange
 - II. M275 (iconic structure)
 - III. Eastern Road
- 3.5 In addition to sites used solely for poster advertising, other formats may also be suitable to not only generate advertising revenue for the council, but to also provide new or enhanced facilities for residents and visitors including toilets, news-stands and way finders for example at no additional cost to the Council (see appendix 1).
- 3.6 Research into how the advertising sector operates has identified two potential digital advertising operating models:

Model 1

Income share arrangement with a provider. The provider is responsible for acquiring, installing, operating and maintaining the digital assets and managing the sale of advertising. The Council would receive a proportionate share of either the net or gross advertising revenue.

Model 2

The Council acquires, installs, operates and maintains the digital assets itself and appoints an agent to manage the sale of advertising. The agent receives a commission on advertising sales and the Council retains all net advertising income.

- 3.7 Advantages of one model over the other include:
 - I. The associated commercial risk of Model 1 is significantly lower than model 2.
 - II. The Council's potential income share under model 1 will be significantly lower than that of model 2 as a result of the lower commercial risk.
 - III. Model 1 would require no "upfront" investment from the Council whilst Model 2 would require "upfront" investment. It is anticipated that Model 2 would meet the spend to save criteria for investment to be funded from the MTRS Reserve as pay back is likely to be within two to three years.

IV. Both models assume the appointment of an agent to manage the sale of advertising due to the specialist nature of the advertising sales market.

3.8 In order to explore the potential digital advertising opportunities within the city further, it is recommended that the council embarks on a tender exercise to identify the optimum mix of digital advertising within the city and the most appropriate operating model.

3.9 It is recommended that the tender exercise takes the form of a "multiple lot" strategy reserving the right to choose between lots and award in any combination. The lots being structured as follows:

- Lot 1 - Location Hard Interchange - Model 1
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4 City Solicitor's Comments

4.1 The City Solicitor is satisfied that it is within the Council's powers to approve the recommendations as set out.

5 S. 151 Officer Comments

5.1 The costs associated with conducting the tender exercise will be met from within existing cash limits. The decision to award any of Lots 1 to 5 will only be taken following a robust and thorough financial appraisal approved by the Section 151 officer.

6. Equalities Impact Assessment

6.1 This report does not require an Equalities Impact Assessment as there are no proposed changes to PCC's services, policies, or procedures included within the recommendations.

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Chris Ward
Director of Finance & Information Service

Background List of Documents –

Section 100D of the Local Government Act 1972

The following documents disclose facts or matters which have been relied upon to a material extent by the author in preparing this report –

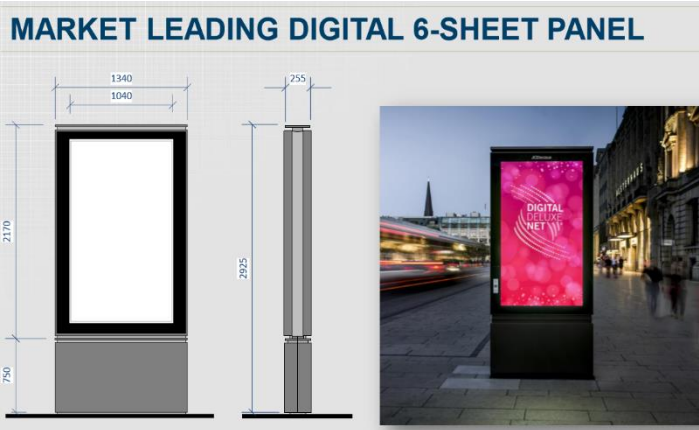
Title of Document	Location
Market analysis	Assistant Director of Contracts, Procurement and Commercial, Finance and Information Service
Outline Financial Appraisal	Deputy Director of Finance

The recommendations set out above were:

Approved / Approved as amended / Deferred / Rejected by the Cabinet on 29th June, 2017

Signed:

Example Digital Advertising Formats



Other Example Formats

