

DIGITAL ADVERTISING

1. PURPOSE

- 1.1 The purpose of this report is to seek approval to move to the next steps in the digital advertising project, which forms part of the income generation stream of the Council's 8-point plan for achieving financial sustainability. The project also links to a second strand of the 8-point plan, by seeking to make better use of the Council's existing assets, and maximising their revenue return.

2. BACKGROUND

- 2.1 Cabinet considered report no. COMM1509 at its meeting of 28 April 2015 and subsequently approved the addition of digital advertising to the interactive wayfinders being installed as part of the Activation Aldershot project and the principle of pursuing further digital advertising opportunities within the Borough, in locations such as alongside motorways and key roads, car parks and civic buildings.
- 2.2 A project team was set up to explore the feasibility of these initiatives and to determine the approach to market.
- 2.3 Initial market testing has shown that there are a number of options for digital advertising that the Council could pursue which have the potential to provide a long-term, sustainable income stream.
- Fixed tower devices alongside M3 motorway
 - Fixed devices alongside high traffic flow areas in the Borough
 - Fixed device outside main entrance to Council Offices
 - A trailer-mounted mobile screen

Visual representations of these devices are attached at Appendix A but note that these are examples only and may not represent the actual models purchased.

- 2.4 Issues identified by the project team and through the soft-market testing are set out below.

3 PROCUREMENT OPTIONS

- 3.1 There are a number of delivery options that could be considered as part of the procurement exercise:

In respect of permanent devices situated on Council-owned land, the Council

could:

- fully fund the capital investment in return for a share of the advertising income
- part fund the capital investment in return for a reduced share of the advertising income
- seek a ground rent only for devices funded by the supplier

In respect of mobile devices, which could be located at various sites within the Borough or hired out to other organisations, the Council could again either fully or part fund the capital investment, benefitting from a share of advertising income.

Additional income could be realised through the screening of sporting events or films.

Other options coming through the soft market testing include:

- capital funding by the supplier alongside an income share (thus giving the Council no at-risk initial outlay with all financial risk remaining with the supplier) or
- a sale and lease back option where the Council purchases the device but is able to lease it back to the supplier on days that it is not in use.

Consideration has also been given to setting a minimum income guarantee to ensure payback of any capital outlay over a stated period.

- 3.2 This type of procurement exercise is new to the Council and the project team have spent some time learning about the market and investigating the best route to market. The team have been talking to various suppliers and to other Councils who are developing similar projects. An initial tender for the trailer-mounted mobile screen confirmed that there is interest in the supply of the device, although none of the tenderers met the exact requirements that had been set out. What has also become evident is that the supply of the advertising management would be better served by offering the full package to the market (i.e. motorway and roadside signage, Council offices and mobile screen) rather than taking a phased approach, as the motorway advertising is the most appealing aspect to the 'out of home' digital advertising suppliers.
- 3.3 Some of the advertising suppliers we have engaged with have indicated that they tend to concentrate on areas within London or with the larger metropolitan Councils. However, we believe that the Borough has a lot to offer to the market, with its large commuter base, its ownership of land adjacent to the M3 and the significant value of events such as Farnborough International Airshow, with its plans for expansion of major exhibition and conference facilities. The Council is in a unique position to offer sites that take advantage of the M3 gateway.
- 3.4 The result of these investigations are likely to result in a more complex procurement exercise, with potential for various Lots to be awarded with the opportunity for suppliers to bid for some or all of the devices as well as some or all of the advertising package. The team believes that this will maximise the response from suppliers.
- 3.5 The team have had discussions with other local authorities who have developed their digital advertising offer and a strong theme coming through is the benefit of engaging some specialist advice in evaluating the local market potential, assessing the suitability of potential locations for devices, and preparing and

running the tender process.

- 3.6 This is a new and potentially significant area of income generation and it is vital that the Council adopts the best approach to maximise revenue and best serve its community, and that we learn from the skills employed on this project to inform future projects.

4 ADVERTISING POLICY

- 4.1 The Council needs to consider any risk to its reputation against the financial and wider economic benefits that could be derived from advertising. Prospective suppliers will be unable to evaluate the potential income stream without having regard to a clear advertising policy. A draft advertising policy is attached at Appendix B for consideration.
- 4.2 The policy is largely based on the Advertising Standards Authority's current UK Code. The Advertising Standards Authority is the UK's independent regulator of advertising across all media.
- 4.3 The draft policy sets out categories of advertising that will be unacceptable to the Council and additionally reserves the right to refuse certain advertising within its own residents' magazine or in the immediate vicinity of Council offices.

5 ADVERTISING CONSENT

- 5.1 Planning consent is required for the display of advertisements.
- 5.2 The planning process will include an element of public consultation.
- 5.3 Approval will be required from Highways England prior to erection of advertising adjacent to motorways or roads. Initial discussions point to approval not being refused unreasonably so long as guidelines are adhered to (in terms of distance from road, lighting etc.). The Council could choose to build into the tender that suppliers will be responsible for securing Highways England approval, as such firms often employ specialist planning resource to deal with such matters, or to pursue the approval ourselves.
- 5.4 It is proposed to report back to Cabinet on proposed locations subject to review by external specialists. Authority to apply for the necessary planning consents will be sought at that time.

6 BENEFITS

- Financial
- 6.1 With limited knowledge of this market, the expenditure and in particular the potential revenue stream, are difficult to estimate. However, soft-market testing indicates that the project could provide a significant additional income stream to the Council, with limited on-going costs and resource requirements.

- 6.2 Expectations around the potential for income generation need to be realistic given the range of variable factors on which this depends – many of which the Council cannot control.
- 6.3 Factors affecting income generation include the current economic climate, market forces and the attractiveness of the type and location of a platform (considering things such as audience reach, traffic flows and footfall.) Depending upon the size and type of organisation or business, some of the Council's assets and locations will be more attractive and advantageous than others.
- 6.4 At this stage indicative expenditure could be in the region of around £1,000,000 (again dependent on number and type of advertising platform and on whether the Council fully or part-funds the capital outlay).
- 6.5 Income potential could be in the region of £2,000,000 - £3,000,000 over a 7-year period delivering £285,000 - £430,000 per annum to the revenue funds before cost of capital and any other revenue implications are accounted for. Income is likely to be built up over time with lower returns in the earlier years while links are formed to national advertisers.
- 6.6 These figures are approximations only and a full business case would be presented to Cabinet after seeking expert advice.

Reputational

- 6.7 Digital advertising fits well with the Council's digital strategy and could have wider benefits for the local economy by showcasing local as well as national businesses, and demonstrating the Council's innovative and commercial approach.

7 OTHER ISSUES FOR CONSIDERATION

- 7.1 Advertising platforms will attract business rates. Under the procurement exercise, the Council could choose to make the supplier liable for the payment of the business rates, before advertising revenue is shared. The cost of business rates will be partially offset by the Council's share of the business rates under the Business Rates Retention Scheme, with additional rates income being generated if growth in rates is achieved above a baseline.
- 7.2 As noted above, if the Council's digital advertising strategy is realised, there will be a requirement for some on-going management of the devices and the advertising management contracts. At this stage, it is difficult to estimate the extent of resource required and whether this can be met from existing resource and where this might sit in the Council's organisational structure moving forwards. Any on-going revenue costs will be factored into the business case for Cabinet consideration.
- 7.3 While officers have identified potential sites for the proposed advertising platforms, it is intended that the specialists advise on the ultimate suitability of these locations. The recommendations would then be reported back for Cabinet consideration. As noted earlier in the report, public consultation would also take place as part of the planning process.

8 OTHER OPTIONS CONSIDERED

- 8.1 The Council could choose to manage the sale of advertising itself using internal resources. At this time, the Council does not have sufficient expertise or capacity internally to progress this option. An existing supplier, active in this market, will have the necessary contacts to secure greater advertising opportunities.
- 8.2 The Council could choose to proceed with tender specification without seeking external advice. Again, the Council does not have the necessary market knowledge or expertise to maximise the benefit from this potentially significant income stream and to protect it from risk, without recourse to an independent consultant.

9 CONCLUSIONS

- 9.1 The installation of digital advertising as described in this report has the potential to generate significant income for the Council. This provides an opportunity for income generation to offset the costs of services provided to our residents, which is a key part of the Council's 8-point plan for financial sustainability.
- 9.2 Due to the complexity of the project and the lack of specific knowledge in this area within existing resources, some expertise will be required to guide the Council through the process. Support will include researching options for the most advantageous route to market and assistance in tender preparation as well as assessing the suitability of locations.
- 9.3 The Council's position in having ownership of land adjacent to the motorway and in a key gateway site provides a unique opportunity to maximise income from this initiative.
- 9.4 Future income generated from these proposals will be closely monitored and reported to Cabinet as part of the Council's 8-point plan for financial sustainability and through the on-going budget monitoring process.

10 RECOMMENDATIONS

- 10.1 That Cabinet
- (i) delegates authority to the Head of Financial Services, in consultation with the Head of Service (or Director) responsible for Procurement and the Portfolio-holder for Corporate Services, to procure and appoint a consultant to support the project, to be funded from the flexible use of capital receipts, up to a value of £40,000;
 - (ii) approves the advertising policy set out at Appendix B.

AMANDA FAHEY - HEAD OF FINANCIAL SERVICES - EXT: 8440

Project Lead - John Trusler; Project Manager - Sue Adams; Procurement - Katherine Booker/Rodrick Msipo; Communications - Gill Chisnall.

DIGITAL ADVERTISING OPTIONS

1. ADVERTISING DEVICES

- 1.1 All of the examples shown in this appendix are for illustrative purposes only at this stage. No decisions have yet been made on the exact specification of the devices. As part of the project, the Council will seek advice as to the suitability of both the devices and the locations and public consultation will take place before any final decisions are made.

2 MOTORWAY ADVERTISING

- 2.1 Motorway advertising has the potential for significant income generation. The most effective model is understood to be two signs opposite each other, of around 5m wide x 7.5m high. Some existing examples are shown below:



3 ROADSIDE ADVERTISING

- 3.1 Roadside devices have the potential for reasonable advertising returns, directly linked to the traffic volumes. These devices are likely to be single-sided, with screen sizes of approximately 72", as illustrated:



4 FIXED DEVICE OUTSIDE COUNCIL OFFICES

4.1 It is proposed that this would be a double-sided screen of approximately 55”.



5 TRAILER-MOUNTED MOBILE SCREEN

5.1 A trailer-mounted mobile screen would provide the Council with the opportunity to advertise in various locations, to hire to local companies/events, and to use for the screening of films and sporting events. An example is shown below:



Rushmoor Borough Council Advertising Policy – DRAFT

Background

Rushmoor Borough Council is looking to increase revenue from its growing offer of advertising opportunities, particularly digital advertising.

The Council's approach is an open one and to approve adverts wherever possible. It recognises, however, that there are occasions when it will not be able to accept advertising because it considers it inappropriate or offensive. The purpose of this policy is to provide guidelines to advertisers on the type of advertising that the Council may permit.

General principles

All adverts must meet the Advertising Standards Authority's current UK Code of Non-Broadcast Advertising, Sales Promotion and Direct Marketing, known as the CAP Code – available at: <http://www.cap.org.uk/Advertising-Codes/Non-Broadcast.aspx>

The CAP Code is enforced by the Advertising Standards Authority (ASA), which can take steps to remove or have amended, an advert that breaches the rules.

The CAP Code includes provisions that adverts must:

- Be legal, decent, honest and truthful
- Reflect the spirit as well as the letter of the Code
- Be prepared with a sense of responsibility to consumers and society
- Not bring advertising into disrepute
- Conform to the Code
- Respect the principles of fair competition

In addition, any advertising should not bring the Council into disrepute.

Unacceptable products and services

The Council will not accept advertising that promotes any of the following:

- Tobacco
- Alcohol
- Gambling
- Pornography, advertising associated with 'adult industries'
- Advertising with an overtly sexual tone
- Weapons, dangerous products or materials
- Controlled drugs, legal highs and drug paraphernalia
- Advertising that relates to religions or religious beliefs
- Political or lobbying campaigns or specific politicians and political organisations
- Anything that could lead to the prosecution of the Council

Categories of advertising that the Council may refuse

The Council reserves the right not to accept certain types of advertising. These include:

- Advertising from legal or quasi-legal organisations limiting their services to one area of law, e.g. personal injury
- Advertising that offers credit, including payday loans
- Anything the Council considers unacceptable to its purpose or values
- Advertising that suggests that the Council endorses a product or service
- Anything that has been the subject of a complaint to the ASA, which the ASA has upheld

This list is not exhaustive and the Council reserves the right to refuse any advertising that it considers inappropriate.

In addition, the Council may not accept the following types of advertisement in its residents' magazine, Arena, on Council buildings or in Council grounds:

- Advertising from organisations or businesses that offer services in competition with the Council or its contractors
- Advertising from other towns and shopping centres that could be considered to be in competition with Aldershot, Farnborough or North Camp

Liability

The advertiser is responsible for ensuring compliance with all applicable laws and regulations in addition to Rushmoor Borough Council's advertising policy.

Publishing or displaying an advert should not be regarded as endorsement by the Council of any product or service. The Council accepts no responsibility for the quality or reliability of any product or service advertised.

The Council may amend these guidelines from time to time.

26 July 2016