



<u>Committee and Date</u> Cabinet 21 st July 2021

<u>Item</u> <u>Public</u>

Highway Assets Advertising Proposal

Responsible Officer Mark Barrow, Executive Director of Place
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1. Summary

- 1.1 To seek Cabinet approval to advertise on Council highway assets and to provide details of the outcome of the investigation process undertaken for advertising across roundabouts, boundary signs, lampposts and verges and seek approval to outsource the management of an advertising and sponsorship scheme to the acceptance of the preferred supplier through a framework direct award process.
- 1.2 To award a direct advertising and sponsorship management scheme contract as part of this proposal for a period of 4 years. The proposed contract and associated programme is estimated to generate a minimum income of approximately £0.392m for the Council across the 4 years on a revenue share contract. This forecast is on the assumption that permission is granted to utilise the four asset types proposed in this report.
- 1.3 The proposed contract will be delivered in two phases to allow for a steady emersion of sponsorship/advertising, beginning with phase 1, roundabouts, boundary signs and verges and phase 2, lampposts. This allows for scrutiny of the programme's phase 1 implementation, investigation of any complaints, and analysis of income and any operational costs and/or issues.
- 1.4 A supporting Appendix 1 is attached giving detail of the various proposed assets, the operational processes, proposed advertising regulations and an estimated forecast by asset across the scheme. Appendix 2 sets out the council's proposed advertising policy and guidelines.
- 1.5 The proposal and action plan relate directly to the Commercial Strategy Updated 2020 – 2023 point 8 which was approved by Cabinet on 12 February 2020 where it states: "Advertising, sponsorship and infrastructure – using our physical and digital assets to generate income".

2. Recommendations

That Cabinet:

- 2.1 Approves the advertising policy and guidelines set out in Appendix 2
- 2.2 Approves the proposal to allow highway assets namely roundabouts boundary signs, lampposts and verges to be used for advertising/sponsorship purposes and branding by businesses advertising on the assets in accordance with the advertising policy/guidelines set out in Appendix 2.
- 2.3 Delegates to the Executive Director of Place in consultation with the Deputy Leader and Portfolio Holder for Physical Infrastructure, Highways and Built Housing to conclude the process of a contract award to Community Partners Ltd for a 4 year contract for the provision of a management and advertising scheme for roundabouts, boundary signs, lampposts and verges further to a direct award under the ESPO, Advertising Solutions Framework. This shall include implementation matters associated with the contract.
- 2.4 Delegates to the Executive Director of Place in consultation with the Deputy Leader and Portfolio Holder for Physical Infrastructure, Highways and Built Housing the decision to include additional highway assets for advertising purposes in accordance with appendix 2 and determine the most appropriate procurement method for this.

3. Opportunities Appraisal and Risk Assessment

- 3.1 Failure to generate income using the Council's physical assets as set out in section 8 of the Updated Commercial Strategy 2020-2023 within agreed timescales and to levels approved by Council within the Financial Strategy prevents the Council from meeting savings targets and corporate outcomes.
- 3.2 The proposal to use highways assets for the purposes of marketing and promoting businesses generates income for the council which helps to achieve commercial income targets and sustain services for Shropshire residents.
- 3.3 A supporting Appendix 2 is attached which details the proposed advertising policy showing acceptable advertising to prevent reputational damage and to support corporate strategies.
- 3.4 The council will be able to use money generated from advertising for the purposes of discharging the Council's functions including maintaining the roundabouts and highways verges to improve the appearance of the area and the public realm in the county.
- 3.5 There is an opportunity for this project to enhance the Council's reputation and service take up, by providing platforms for advertising Council services and other public sector messages and services to the public. In so doing, this

will enable the Council to reach people across the Protected Characteristic groupings set out in the Equality Act 2010, as well as those households we may describe as vulnerable or at risk of social inclusion, for whom this may be an additional way in which to help them to find out about services for which they may be eligible, or to read messaging of which they may be unaware, The caveat is that the messaging will need to be clear and the physical environment will need to be uncluttered, in order to minimise potential negative impacts for the people in the grouping of Disability in particular, eg people with visual impairments, people with visual perception challenges, and families and carers of people with learning disabilities.

Furthermore, this project can support economic growth by providing value for money advertising and sponsorship opportunities for business. It will also generate income to support the financial sustainability of services provided by the council.

- 3.6 Officers have researched similar marketing and advertising schemes involving highways assets in other local authorities to appraise the costs, income, benefits and opportunities of such schemes.
- 3.7 The financial section below sets out that there are no capital or revenue costs associated with the proposed marketing scheme other than regular contract administration management, and monitoring. All expenses across the programme of asset sponsorship and advertising are to be met by the proposed supplier which includes costs associated with the installation, maintenance, insurance and replacement of advertising assets
- 3.8 There is a risk that revenue income generated by marketing may be lower than forecast due to market conditions associated with Covid. The council will monitor financial and operational performance regularly and work with the supplier to identify how any shortfalls in marketing income can be addressed.
- 3.9 This scheme provides an opportunity for the council to demonstrate how it shall support local businesses to promote and advertise their products and services to increase economic growth and support the creation and retention jobs and skills in the county.
- 3.10 The performance of advertising via the use of highways assets will help to inform the use of a wider range of council assets which may increase the volume and value of income raised to support public service delivery.
- 3.11 The performance of the proposed scheme and contract will be subject to regular risk management reviews which will form part of the terms and conditions of the contract.
- 3.12 The supplier may need to apply for advertising consent via the planning application process. This will involve consultation with the Highways department as to the size and location of signs. If advertising consent is not required, the supplier will liaise with Highways to agree the procedure and

location for installing signs and to agree on any protocols to ensure the safe and professional installation of signs on the highway.

REPORT

4 Background

- 4.1 The updated Commercial Strategy approved by Cabinet on 12 February 2020 states in section 8 that one of the key themes for commercial practice being “Advertising, sponsorship and infrastructure; using our physical and digital assets to generate income”. Recommendation 2.2 addresses this by asking Cabinet to approve a proposal for certain highways assets to be used for this purpose.
- 4.2 The scope of the services required are for a Service Provider to source sponsors who’s advertising copy meets our advertising guidelines as set out in appendix 2, to display approved signage on Council owned highway assets. In return, the sponsor then pays a sponsorship fee to the Service Provider, out of which the Council receives an agreed income retaining an amount for the cost of their services.
- 4.3 As part of this proposal the service provider will be responsible for the installation, maintenance, insurance, management, renewal and removal of signage used for advertising purposes in accordance with the policy set out in appendix 2.
- 4.4 There may be also an opportunity for advertising on other mediums in the future including billboards, digital signs, bus shelters, bridges, central reservations, barriers, waste bins and street furniture, hanging baskets and flower beds, customer vehicles, customer buildings and statues. Recommendation 2.4 provides the delegation for this to be undertaken by the Executive Director of Place in consultation with the Deputy Leader and Portfolio Holder for Physical Infrastructure, Highways and Built Housing.
- 4.5 Although not a primary requirement, these options may be drawn upon under the terms of the Eastern Shires Purchasing Organisation (UK) ESPO contract or an alternative procurement route.

5 Financial Implications

- 5.1 The cost of implementing the proposed advertising scheme to the Council will be nil and expenses associated with the advertising and management scheme, and covered under recommendation 2.2, will be met by the supplier.
- 5.2 The proposed advertising contract will generate income to the Council through the appointment of an agent to assist the Council to maximise income from advertising on its corporate assets. The estimated revenue for this contract is £0.392m across the 4-year contract, building from £0.031m to £0.160m per

annum. . 60% of the net income will be received by the Council and the remaining 40% will be retained by the supplier.

- 5.4 Income generated from the scheme will be used to help fund statutory functions such as the maintenance of roundabouts, verges and to improve the public realm. £0.100m per annum of the net income to the Council will be used to achieve part of the £2.000m 'Raise income from investment in assets' saving within the Place directorate.

Table 1 – Estimated income for the proposed highways assets advertising contract

	Annual average gross income per unit	Estimated no. viable sites	Estimated gross revenue Year 1*	Estimated gross revenue Year 2	Estimated gross revenue Year 3	Estimated gross revenue Year 4
Phase 1						
Roundabouts	£4,000	45	£45,000	£70,000	£95,000	£130,000
Boundary signs	£2,000	20	£15,000	£30,000	£36,000	£37,000
Verge signs	£1,750	15	£12,000	£18,000	£22,000	£25,000
Phase 2						
Lamppost banners	£500	200	N/A	£35,000	£78,000	£100,000
Income total	-	-	£72,000	£153,000	£231,000	£292,000
Less contractors' costs	-	-	£20,000	£25,000	£25,000	£25,000
Gross surplus	-	-	£52,000	£128,000	£206,000	£267,000
Less contractor's share (@40%)	-	-	£21,000	£51,000	£82,000	£107,000
Total income to the Council	-	-	£31,000	£77,000	£124,000	£160,000
Additional business rates income to the Council			£563	£875	£1,188	£1,625

*Gross revenue includes costs for hardware/installation – Many of these costs will fall in year one and come out of the income generated from the overall cost of sponsorship. This has already been factored into the forecast above) Inflation will also influence gross revenues as the contract proceeds. This has also been factored into the forecast above. All hardware will be owned by Shropshire Council.

- 5.5 Income from the contract is subject to economic and market conditions and may go up or down during the period of the contract. The impact of Covid-19 on the economy in relation to this contract is unknown at present and may affect the level of income predicted from this contract. Levels of maintenance will affect marketability
- 5.6 The terms of the Community Partners Limited contract offer a 60% profit share to the Council after costs have been deducted. The permissible costs that can be applied have been set out in the terms of the contract. Any additional costs must be agreed by the Council.
- 5.7 Business rates are payable across roundabout sites. The contractor will be invoiced by the Council who then in turn charge out to the sponsoring companies (this is included in “Contractors costs” set out in table 1 – phase 2 above). This is then deducted from the gross revenue. Business rates received by the Council will increase by £50 per annum per roundabout.
- 5.8 All risks of incurring a loss on any contract with a sponsor (advertiser) will be borne by the supplier, therefore there is no risk of the council incurring a loss on this proposal.
- 5.9 Proposed fees are as follows:-

Roundabouts	£4,000 per annum
Boundary Signs	£2,000 per annum
Verge signs	£1,750 per annum
Lamppost banners	£500 per annum

- 5.10 Proposed fees for 2022/23 will be included within the Council's Fees and Charges Report, to be agreed by Council in February 2022. This proposal will also generate additional business rates income to the council.

6 Climate Change Appraisal

- 6.1 Officers are investigating the opportunity to offer sponsorship of all assets as carbon neutral propositions, where income generated from each sponsorship may be used towards carbon in setting within Shropshire using tree planting or other land management activity.
- 6.2 This may also act as a contribution towards The Queen's Green Canopy Platinum Jubilee initiative for sponsorships agreed within its duration.

7 Legal Implications

- 7.1 Consideration has been given to the statutory powers that would enable the Council to place advertising on these highways assets and to the Council's statutory responsibilities as a Highways Authority in considering the type of signage and its placement etc to ensure the safety and integrity of the highways infrastructure and its user.
- 7.2 Statutory powers enabling the Council to operate a highways assets advertising scheme are as follows:
- 7.2.1 Section 1 of the Localism Act 2011 provides the Council with a 'general power of competence' providing the powers to do anything that individuals generally may do, including charging for it.
- 7.2.2 Section 139 Local Government Act 1972 allows a local authority to accept gifts or property (this includes money) for:
- the purposes of discharging any of their functions where the gift is made for those purposes;
 - and may execute any work (including works of maintenance or improvement) incidental to or consequential on the exercise of the powers conferred by this section
- 7.3 In implementing the scheme and placing signage on or adjacent to the highway will require consideration the Council's duties under:
- Various sections of the Highways Act 1980 including ensuring there are no obstructions, dangers or annoyances and protect the rights of the public to use the highway;
 - The Traffic Management Act 2004 requires the Council to minimise congestion and occupation of road space and ensure the expeditious movement of all traffic (including pedestrians). To enable this, traffic control, physical obstructions, and potential visual distractions, must be properly considered during the design of landscaping schemes.
 - Under the New Roads and Street Works Act 1991 the Council has a duty to coordinate traffic control on the Highway network.
- 7.4 The Council is also mindful of its responsibilities with regard to the Public Sector Equality Duty set out in the Equality Act 2010. We demonstrate equal treatment to people who are in nationally-defined Protected Characteristic groupings and to people who are not, through having what is termed 'due regard' to their needs and views when developing and implementing policy and strategy and when commissioning, procuring, arranging or delivering services. There is a commitment to carry out a screening ESIA as part of ongoing engagement work with local businesses and other stakeholders such as town and parish councils, and also with voluntary and community sector, including in particular the Forum of Interest for disability, in order to try to make sure that signage works for everyone.

7.5 Additionally, contractors engaged in commercial development will need to be made aware of the responsibility they share with the Council to demonstrate compliance with our Public Sector Equality Duty.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Cabinet Member (Portfolio Holder)
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Steve Charmley, Deputy Leader and Portfolio Holder for Physical Infrastructure, Highways and Built Housing

Dean Carroll, Portfolio Holder - Adult Social Care, Public Health and Assets

Local Members

All

Appendices

1. Shropshire Council asset sponsorship scheme proposal
2. Highway Assets Advertising Policy