

**REPORT TO CABINET**

**28 August 2019**

<b>Subject:</b>	<b>Large Scale Roadside Advertising – Approval to Enter into Contracts</b>
<b>Presenting Cabinet Member:</b>	<b>Councillor Bob Lloyd - Cabinet Member for Inclusive Economic Growth</b>
<b>Director:</b>	<b>Director – Regeneration and Growth – Amy Harhoff</b>
<b>Contribution towards Vision 2030:</b>	
<b>Key Decision:</b>	Yes
<b>Cabinet Member Approval and Date:</b>	Councillor Bob Lloyd - Cabinet Member for Inclusive Economic Growth
<b>Director Approval:</b>	Amy Harhoff – Director – Regeneration and Growth
<b>Reason for Urgency:</b>	Urgency provisions do not apply
<b>Exempt Information Ref:</b>	Exemption provisions do not apply
<b>Ward Councillor (s) Consulted (if applicable):</b>	This is a boroughwide initiative
<b>Scrutiny Consultation Considered?</b>	Scrutiny consultation has not been undertaken
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## **DECISION RECOMMENDATIONS**

### **That Cabinet:**

1. Authorise the Director – Law and Governance and Monitoring Officer to enter into contracts for roadside advertising with Wildstone Capital Ltd for 15 years and One Asset Ltd for 7 years.
2. Authorise the Director – Regeneration and Growth to oversees the delivery of a boroughwide programme of roadside advertising, in line with the priorities identified below and where possible develop additional revenue-generating opportunities with the two commercial partners.

## **1 PURPOSE OF THE REPORT**

- 1.1 This report sets out the progress made to-date and the proposed future steps to generate a sustainable income stream from contracts for large-format roadside advertising on council land.
- 1.2 Following a comprehensive procurement process, two acceptable tenders have now been received for large-format roadside advertising on council land. This report sets out the details of these tenders, along with projected income streams over 7 and 15 year periods and recommends that tenders are accepted and contracts put in place.

## **2 IMPLICATION FOR THE VISION 2030**

### **2.1 Ambition 1**

2.2 Sandwell is a community where our families have high aspirations and where we pride ourselves on equality of opportunity and on our adaptability and resilience.

2.3 Identifying and securing sustainable long-term income streams will underpin the council's aims to ensure resilience and maintain core services at times of continued pressure on public sector budgets.

### **2.4 Ambition 10**

2.5 Sandwell now has a national reputation for getting things done, where all local partners are focused on what really matters in people's lives and communities.

2.6 Enabling partnerships with accredited national advertising contractors will align Sandwell with other local authorities. A high-quality and well-designed suite of outdoor advertising structures will be delivered, demonstrating effective use of the borough's land assets and developing valuable long-term income streams that can be used to protect vital council services.

## **3 BACKGROUND AND MAIN CONSIDERATIONS**

3.1 The council is committed to reviewing and utilising the income-generation opportunities presented through ownership of its public estate, built assets and highway infrastructure. Outdoor advertising and sponsorship can generate substantial and sustainable income.

3.2 Cabinet approval was gained in March 2016 for a first contract, promoting roundabout advertising and boundary signs. This report indicated the council's intention to develop a wider strategy to maximise sustainable income sources from across all advertising formats. It was agreed that the second contract would cover large format commercial roadside advertising and the tendering process for this began in 2016.

- 3.3 There have been two attempts to market sites and establish a partnership with an advertising contractor. The first attempt, despite initial expressions of interest from potential partners, received no tenders.
- 3.4 Following this, the council responded to advice from potential partners and split the potential roadside advertising estate into two Lots: initial assets (Lot 1) and future assets (Lot 2). The structures at Lot 1 (M5 Ray Hall Lane east & west) already have planning permission in place. The Lot 2 site locations are identified as;
- A41 West Bromwich Expressway (Europa Avenue)
  - A41 West Bromwich Expressway (Shaftesbury Street)
  - A41 Black Country New Road (Richmond Street)
  - A41 Black Country New Road (Patent Shaft Island)
  - A456 Hagley Road West, Smethwick
- 3.5 The five sites identified as future assets in Lot 2 have no planning permissions, but were compiled in conjunction with planning and highways officers and selected for the following reasons:
- Minimal planning and highways issues;
  - Likely ease and cost of construction and maintenance and
  - Attractiveness to partners and potential to generate value.
- 3.6 Two bids were received; both bidders applied for Lots 1 and 2. However, both potential suppliers failed Corporate Finance's tests of financial standing and the process was halted without tenders being awarded.
- 3.7 A new approach was therefore adopted where developers were invited to tender for one, more or all of the sites in both Lots. Contracts were to be awarded to suitably qualified and experienced developers who offered the highest guaranteed licence fee to the council for the given site. The contract (licence) duration for each Lot will be for a maximum of 15 years, to include construction and demolition of the advertising structure.
- 3.8 The tendering process was simplified and the financial standing requirements were amended to be more proportionate, in order to attract bids and maximise the likelihood of a successful outcome.

A revised tender was drawn up and promoted through the Sandwell In-tend Supplier Portal towards the end of 2018.

- 3.9 Three bids were returned and offers made for all the sites put forward by the council, by Wildstone Capital Ltd and One Asset Ltd (formerly Elonex). Wildstone proposes 15-year tenures for its sites and One Asset proposes 7-year tenures. The third bidder failed to provide quarterly licence fee offers for the sites as requested. References have been taken up on the two preferred tenderers.
- 3.10 Total annual income to the council from the 7 sites tendered is £88,000 in years 1-7 and a minimum of £44,000 in years 8-15, giving a minimum guaranteed income of £968,000 over 15 years.
- 3.11 Breaking this down between the two bidders, Wildstone Capital Ltd contract will generate £660,000 over the 15 years. One Asset Ltd generates £308,000 over 7 years at £44,000 a year for its sites. At the end of year 7, the One Asset contract will be re-tendered and at the end of year 15, the Wildstone Capital contract will be re-tendered.
- 3.12 The contracts also allow each partner to recommend to the council additional sites it considers may offer potential to generate further advertising revenue.
- 3.13 When initially submitted, the tender offers were valid until 13 April 2019. Subsequently, in response to requests from the council, extensions were granted by the two preferred tenderers for their offers to remain valid until 31 August 2019.
- 3.14 All the sites in both Lots (with the exception of A456 Hagley Road West) are on Highways land, and income received from the advertising contracts will go into the Highways budget. Highways will take responsibility for issuing necessary licences and permits to both companies, monitoring contract compliance and initiating the re-tendering process at the end of each term. While the tenderers are responsible for obtaining planning permission for the sites in Lot 2, planning officers will provide guidance and support in bringing forward these sites.
- 3.15 The approval of Cabinet is now sought for Large Format Roadside Advertising tenders to be awarded and contracts signed with Wildstone Capital Ltd for 15 years and One Asset Ltd for 7 years.

## **4 THE CURRENT POSITION**

- 4.1 Following completion of the tendering process, roadside advertising tenders have been received from Wildstone Capital Ltd and One Asset Ltd, for periods of 15 years and 7 years respectively. Tenders have been submitted for each of the sites put forward by the council, with the potential for additional sites to subsequently be identified by either party. The submitted tenders are valid until the end of August 2019 and offer the council guaranteed annual licence fees over the tendered term.
- 4.2 Subject to Cabinet approval, contracts will be drawn up, finalised and signed and a detailed timescale for implementation agreed between the council and both contractors.
- 4.3 The two sites identified in Lot 1, at Ray Hall Lane, West Bromwich (east and west) have the benefit of planning permission already in place. However, these require the erection of substantial structures alongside elevated motorway slip roads; this may extend the lead time before the sites can be let and income received.
- 4.4 By contrast, no site in Lot 2 currently has planning permission in place. However, the structures in each of these locations are more modest in scale and in standard formats, resulting in shorter lead times.

## **5 CONSULTATION (CUSTOMERS AND OTHER STAKEHOLDERS)**

- 5.1 The Cabinet Member for Inclusive Economic Growth has been consulted on this proposal and supports the use of the Council's assets for the purpose of sustainable income generation.
- 5.2 The development of advertising structures as part of Lot 2 of the programme will require the advertising partner to secure planning approval. In-principle consultation has taken place with the council's Development Planning Manager on each of the sites.

- 5.3 Each site will require a planning application to be submitted, which will be subject to statutory consultation. Guidance received advises that there appear to be no over-riding reasons for planning permission not to be granted for the proposed type of advertising structures at the sites referenced. A decision will be reached on merit, considering policy, design and highway safety matters, in addition to the level and nature of potential objections received.

## **6 ALTERNATIVE OPTIONS**

- 6.1 Developing a strategy to maximise sustainable income sources through a range of outdoor advertising opportunities was established in the initial cabinet report approved in March 2016.
- 6.2 Procuring viable tenders was an extensive process. A range of alternative approaches was adopted, in order to find one solution that delivers on the council's objectives; this is set out in 3.3 – 3.7.
- 6.3 "Do-nothing" is available as an option. However, there is a desire to generate sustainable income streams from council assets through commercial advertising. Do-nothing would fail to meet this objective.

## **7 STRATEGIC RESOURCE IMPLICATIONS**

- 7.1 The large-format roadside advertising initiative aims to develop a sustainable long-term income stream for the council. The costs of developing a network of advertising structures and responsibility for letting the advertising space will rest entirely with the council's appointed advertising partners. There will be no financial risk or exposure for the council. Each contractor will pay the council a set rental sum, quarterly, agreed in advance and in line with the rental figures set out in 3.10 – 3.11. Ownership of the advertising assets will rest with the contractors, who will be responsible for installing, maintaining and removing the structures at the end of the contract period.
- 7.2 Guidance and assistance with obtaining planning permission will be provided by members of the Planning Regeneration Team, the resources of which will be met through existing budgets and work programmes.

## **8 LEGAL AND GOVERNANCE CONSIDERATIONS**

- 8.1 The tender process carried out to identify suitable suppliers for this service is compliant with the Public Contracts Regulations 2015 and with the council's own Procurement and Contract Procedure Rules.

## **9 EQUALITY IMPACT ASSESSMENT**

- 9.1 There are no identifiable equality impact implications arising from the proposal. The nature and content of individual advertising displays carried on these structures will be regulated by statutory industry guidelines, plus any additional restrictions the council may wish to place on its partners. This will ensure that no advertising that is considered offensive, inappropriate or discriminatory will be carried.

## **10 DATA PROTECTION IMPACT ASSESSMENT**

- 10.1 There are no identifiable data protection implications arising from this report.

## **11 CRIME AND DISORDER AND RISK ASSESSMENT**

- 11.1 There are no identifiable crime and disorder implications arising from this report.

## **12 SUSTAINABILITY OF PROPOSALS**

- 12.1 The purpose of this initiative is to maximise sustainable revenue streams to the council over the long term, to improve financial resilience. One contract is to run for a period of 15 years, the other for 7.

## **13 HEALTH AND WELLBEING IMPLICATIONS (INCLUDING SOCIAL VALUE)**

- 13.1 There are no identifiable health and wellbeing implications arising from this report.

## **14 IMPACT ON ANY COUNCIL MANAGED PROPERTY OR LAND**

14.1 Each of the sites that have been identified for large format roadside advertising is council-owned, and all but one form part of adopted Highway lands. None of the sites so far identified constitutes, affects or sterilises any viable development opportunities. All sites bar one are verges, central reservations or other types of Highway land. The remaining site is a verge on the edge of a park. For each site, the contractor will enter into a standard licencing agreement with the council, which sets out the rights, roles and responsibilities of each party.

## **15 CONCLUSIONS AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS**

15.1 In 2016, Cabinet approval was given to develop a strategy to generate sustainable income streams from a range of commercial outdoor advertising on council land. Large format roadside advertising offers the potential to generate significant income.

15.2 The procurement process, initiated in 2016, has now been concluded and two acceptable tenders have been received. This report sets out the details of these tenders, along with projected income streams over a 7 / 15 year period and recommends that the tenders are accepted and contracts put in place.

## **16 BACKGROUND PAPERS**

16.1 None

## **17 APPENDICES**

17.1 None

**Amy Harhoff**  
**Director – Regeneration and Growth**