

NORTH LINCOLNSHIRE COUNCIL

POLICY AND FINANCE CABINET MEMBER

GENERATING INCOME THROUGH ADVERTISING AND SPONSORSHIP

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To update the Cabinet Member on the recent soft market testing exercise which sought to identify potential opportunities to generate additional income through advertising and sponsorship
- 1.2 To seek approval to commence procurement of a managed advertising and sponsorship solution
- 1.3 The key points in this report are:
 - In July 2013 the Cabinet Member for Policy and Resources approved an advertising and sponsorship policy.
 - Opportunities to increase income through advertising and sponsorship using a specialist third party provider have been identified.

2. BACKGROUND INFORMATION

- 2.1 A scrutiny review on paid for advertising took place in 2009. The review determined that paid for advertising should not be carried by the council's website but that the position relating to other forms of advertising should continue to be reviewed.
- 2.2 Since that time the council has pursued an ad hoc approach to seeking income through advertising - most notably on roundabouts and car parking tickets.
- 2.3 In July 2013 the Cabinet Member for Policy and Resources approved the advertising and sponsorship policy which set out the council's position relating to carrying paid for advertising.
- 2.4 The policy defines advertising as '*an agreement between North Lincolnshire Council and a commercial organisation, where it receives payment for advertisements that promote the sale of commercial products or services*'.
- 2.5 The policy defines sponsorship as '*an agreement between North Lincolnshire Council and the sponsor, where we receive either money or benefit in kind for an event, campaign, or initiative from an organisation or individual which in turn gains publicity or other benefits*'.

2.6 The policy sets out a number of principles relating to our position on advertising and sponsorship. These are:

- a) We will actively seek opportunities to work with both local and national organisations by identifying advertising and sponsorship opportunities of mutual benefit and which are in keeping with our strategic priorities and vision.
- b) We welcome all opportunities to work in such partnerships. We will not, however put ourselves in a position where it might be said that such a partnership has or might have or may be thought to have:
 - i. influenced the council or its officers in carrying out its statutory functions in order to gain favourable terms from the council in any business or other agreement
 - ii. aligned the council with any organisation which conducts itself in a manner which conflicts with our vision and priorities
- c) We reserve the right to decline advertisements or sponsorship from any organisation or individual in respect of particular products or services which, in our sole discretion, are considered inappropriate.
- d) We will agree with the organisation the nature and content of the publicity and will retain the right to approve all advertising material
- e) We have a strong corporate identity and advertising and sponsorship materials must not detract from this.
- f) To ensure that sponsorship arrangements are transparent and not open to misinterpretation of preferential treatment by suppliers we will at all times comply with our contract and procedure rules and may, in accordance with these procedures advertise a sponsorship opportunity to potential sponsors.

2.7 A number of potential opportunities for advertising/sponsorship have been identified, including:

Street scene	Printed/Digital Media
<ul style="list-style-type: none"> ▪ Banners on lamp posts ▪ Bill boards ▪ Roundabouts ▪ Boundary signs ▪ Street furniture ▪ Flowerbeds ▪ Bus shelters ▪ Green spaces 	<ul style="list-style-type: none"> ▪ Leaflets & flyers ▪ Posters ▪ Staff Payslips ▪ Council publications ▪ Council website ▪ Car park tickets ▪ Digital screens

Buildings	Other
<ul style="list-style-type: none"> ▪ Event spaces in council venues ▪ Car parks ▪ Council buildings ▪ Vinyl graphics on shop fronts ▪ Waste recycling centres ▪ Leisure facilities ▪ Cultural facilities 	<ul style="list-style-type: none"> ▪ Advertisements on staff uniforms ▪ Council vehicles ▪ Event sponsorship ▪ Filming and local Christmas lights ▪ Bridges ▪ Signage

- 2.8 In order to have a clear idea of all potential advertising and sponsorship opportunities, an audit of current assets suitable for advertising is currently being undertaken. Decisions on which to pursue will be subject to a further report.
- 2.9 In February 2016 the council commenced a soft market testing exercise to help determine the best way to maximise income through advertising and sponsorship. The purpose of the exercise was to enter into a dialogue with market specialists to:
- Assess the market value of the potential advertising and sponsorship assets across North Lincolnshire
 - Identify the range of commercial options for progressing advertising and sponsorship income generation
 - Identify other opportunities for improvement
- 2.10 A total of nine responses were received, with five suppliers invited for interview on the 18 February. The panel consisting of staff from the commercial unit, Places directorate and Communication team attended the interviews.
- 2.11 The supplier responses indicated that there are a range of possible solutions for generating additional income through advertising and sponsorship, but these broadly fell into two categories:
- Consultancy support to assess existing assets, determine a realistic market value and then provide support to develop a tender and procure a broker/agent to manage advertising and sponsorship space and sales.
 - Totally managed solutions including audit of assets and management of sites and advertising.
- 2.12 As part of the research it was identified that Eastern Shires Purchasing Organisation (ESPO) are currently undertaking a procurement exercise to establish a framework for advertising and sponsorship. The framework is scheduled to commence on the 1 July 2016 and in particular Lot 5 – Management of Advertising Space for Commercial Sponsorship may be of interest to the council.

- 2.13 Under the framework sponsorship arrangements are managed by a service provider who will source and manage suitable sponsors in line with the council's approved policy. In return the sponsor will then pay a sponsorship fee to the service provider, out of which the customer will receive an agreed income.
- 2.14 The service providers awarded under the lot will be responsible for actively marketing the contract, securing sponsorship and establishing arrangements such as landscaping, maintenance, signage and managing the administration of the arrangements including invoicing the sponsors.

3. OPTIONS FOR CONSIDERATION

The following options are suggested for consideration

- 3.1. Option 1 – To procure a managed solution via the ESPO framework with a view to generating income as soon as possible.
- 3.2 Option 2 – Appoint a consultant to help assess the market value of the council's assets and to provide support in the development of a contract to ensure maximum revenue from advertising and sponsorship is secured.
- 3.3 Option 3 – Do nothing and retain the existing ad hoc arrangements for advertising and sponsorship.

4. ANALYSIS OF OPTIONS

- 4.1 Option 1 – Managed solutions are attractive to the council in that there is no initial outlay to the council and requires minimum staff input. Set up/infrastructure costs are deducted from any income and the remaining funds result in an agreed shared income split between the company and the council. This model adopts a risk and reward model of payment and provides an incentive to the company to continuously seek additional income through sale of advertising space. Pursuing this option through the ESPO framework would be more cost effective and quicker for the council.
- 4.2 Option 2 – Consultancy services help to assess market value of assets and are advantageous as the company undertaking the audit will be impartial and will provide a realistic market value of assets and potential achievable revenue. They also work on behalf of the council to secure a contract with maximum revenue for the council, possibly higher than that could be secured through a totally managed service.
- 4.3 Option 3 – Doing nothing could impact on the council's ability to deliver its commercial vision and result in a potential loss of income through commercial trading.
- 4.4 The consensus of the panel conducting the soft market testing interviews was that the council lacks capacity and skills and therefore a

managed solution would be the most appropriate, this would also negate any high set up costs.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

- 5.1 In February 2016 Full Council approved the council's budget and spending priorities for the next four years. The financial plan recognises the positive contribution of commercial income as traditional funding sources reduce.
- 5.2 It is not known at this stage what potential level of income the council could expect. A full list of potential assets is currently being pulled together and this will be shared with suppliers at the procurement stage. Initial indications following the soft marketing testing exercise are that totally managed solutions contracts work on a risk and reward model with an agreed split of income being agreed between the council and the supplier.
- 5.3 It is proposed that the advertising and sponsorship contract be managed within the commercial unit with the income being re-distributed to service areas in line with the current arrangement for services to schools income.

6. OUTCOME OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

- 6.1 An initial analysis of impacts has identified a number of positive outcomes which include:
- Would increase additional income to the council with very little or no expenditure
 - Greater engagement with businesses in the area
 - Advertising sites could also be used to market the place and promote key council messages e.g. prevention agenda initiatives, public health, fostering and adoption, council events etc
 - Advertising sites could also be used to promote the council's commercial service offers to drive income up further.
- 6.2 Potential negative impacts identified are:
- Reputational risks for advertising products or companies that become associated with negative publicity
 - Potential conflict of interest with our regulatory functions
 - Potential for levels of advertising to be low and for little or no income to be generated
- 6.3 Any potential negative impacts would be mitigated through the procurement of a risk and reward model and application of both the advertising and sponsorship and visual identity policies.
- 6.4 Any solution adopted would also need to integrate with any developments in relation to the wider strategic priorities and key messages the council wishes to promote e.g. place marketing, public health and prevention agenda, events and the councils own commercial services.

7. OUTCOMES OF CONSULTATION & CONFLICTS OF INTEREST

- 7.1 Consultation has taken place with a number of key stakeholders including services who manage the assets, communications team, commercial programme board and the council management team. There is support for the proposals set out in this report.

8. RECOMMENDATIONS

- 8.1 That the Policy and Finance Cabinet Member approves the procurement of a managed services contract under the ESPO framework and in line with the council's approved advertising and sponsorship policy.
- 8.2 That a further report on the findings, opportunities and commercial options arising from the procurement is submitted for consideration and approval prior to the award of any contract.

DIRECTOR OF POLICY AND RESOURCES

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Background Papers used in the preparation of this report:

Cabinet Member Report: Advertising & Sponsorship Policy July 2013