

LONDON BOROUGH OF CROYDON

To: all Members of the Council (via e-mail)
Access Croydon, Town Hall Reception

PUBLIC NOTICE OF KEY DECISIONS MADE BY THE CABINET MEMBER FOR FINANCE AND TREASURY ON 25 JANUARY 2017

In accordance with the Scrutiny and Overview Procedure Rules, the following decisions may be implemented from **1300 hours on 8 February 2017** unless referred to the Scrutiny and Overview Committee:

The following apply to each decision listed below

Reasons for these decisions: are contained in the **attached** Part A report

Other options considered and rejected: are contained in the **attached** Part A report

Details of conflicts of Interest declared by the Cabinet Member: none

The Leader of the Council has delegated to the Cabinet Member the power to make the decisions set out below:

CABINET MEMBER'S EXECUTIVE DECISION REFERENCE NO.: 0117FT
Decision Title: Award of a Concession Contract for a Managing Agent for Advertising Assets

Having carefully read and considered the attached Part A report and the requirements of the Council's public sector equality duty in relation to the issues detailed in the body of the report, the Cabinet Member for Finance and Treasury in consultation with the Leader of the Council

RESOLVED to:

- 1.1 The Cabinet Member for Finance and Treasury in consultation with the Leader of the Council is recommended to approve the award of a concession contract for a Managing Agent to the company named in Part B of this report, for a contact term of four (4) years.
- 1.2 The name of the winning bidder and estimated contract value will be published in the public domain once the award decision has been made.

Scrutiny Referral/Call-in Procedure

1. The decisions may be implemented **1300 hours on 8 February 2017** (5 working days after the decisions were made) unless referred to the Scrutiny and Overview Committee.

2. The Acting Council Solicitor and Acting Monitoring Officer shall refer the matter to the Scrutiny and Overview Committee if so requested by:-
 - i) the Chair or Deputy Chair of the Scrutiny and Overview Committee and 4 members of that Committee; or
 - ii) 20% of Council Members (14)
3. The referral shall be made on the approved pro-forma (*attached*) which should be submitted electronically or on paper to Jim Simpson by the deadline stated in this notice. Verification of signatures may be by individual e-mail, fax or by post. A decision may only be subject to the referral process once.
4. The Call-In referral shall be completed giving:
 - i) The grounds for the referral
 - ii) The outcome desired
 - iii) Information required to assist the Scrutiny and Overview Committee to consider the referral
 - iv) The date and the signatures of the Councillors requesting the Call-In
5. The decision taker and the relevant Chief Officer(s) shall be notified of the referral who shall suspend implementation of the decision.
6. The referral shall be considered at the next scheduled meeting of the Scrutiny & Overview Committee unless, in view of the Acting Council Solicitor and Acting Monitoring Officer, this would cause undue delay. In such cases The Acting Council Solicitor and Acting Monitoring Officer will consult with the decision taker and the Chair of Scrutiny and Overview to agree a date for an additional meeting. The Scrutiny & Overview Committee may only decide to consider a maximum of 3 referrals at any one meeting.
7. At the Scrutiny & Overview Committee meeting the referral will be considered by the Committee which shall determine how much time the Committee will give to the call in and how the item will be dealt with including whether or not it wishes to review the decision. If having considered the decision there are still concerns about the decision then the Committee may refer it back to the decision taker for reconsideration, setting out in writing the nature of the concerns.
8. The Scrutiny and Overview Committee may refer the decision to Full Council if it considers that the decision is outside of the budget and policy framework of the Council.
9. If the Scrutiny and Overview Committee decides that no further action is necessary then the decision may be implemented.
10. The Full Council may decide to take no further action in which case the decision may be implemented.
11. If the Council objects to the decision it can nullify the decision if it is outside of the policy framework and/or inconsistent with the budget.

12. If the decision is within the policy framework and consistent with the budget, the Council will refer any decision to which it objects together with its views on the decision. The decision taker shall choose whether to either amend / withdraw or implement the original decision within 10 working days or at the next meeting of the Cabinet of the referral from the Council.
13. The response shall be notified to all Members of the Scrutiny and Overview Committee
14. If either the Council or the Scrutiny and Overview Committee fails to meet in accordance with the Council calendar or in accordance with paragraph 6 above, then the decision may be implemented on the next working day after the meeting was scheduled or arranged to take place.
15. **URGENCY:** The referral procedure shall not apply in respect of urgent decisions. A decision will be urgent if any delay likely to be caused by the referral process would seriously prejudice the Council's or the public's interests. The record of the decision and the notice by which it is made public shall state if the decision is urgent and therefore not subject to the referral process.

Signed: Acting Council Solicitor & Acting Monitoring Officer.

Date: 31 January 2017

Contact Officers: jim.simpson@croydon.gov.uk;

Telephone: 020 8726 6000 Ext. 62326

PROFORMA

**REFERRAL OF A KEY DECISION TO THE
SCRUTINY AND OVERVIEW COMMITTEE**

For the attention of: Jim Simpson, Democratic Services & Scrutiny
e-mail to jim.simpson@croydon.gov.uk

Meeting:
Meeting Date:
Agenda Item No:

Reasons for referral:

- i) The decision is outside of the Policy Framework
- ii) The decision is inconsistent with the budget
- iii) The decision is inconsistent with another Council Policy
- iv) Other: Please specify:

The outcome desired:

Information required to assist the Scrutiny and Overview Committee to consider the referral:

Signed:

Date:

Member of _____ Committee

For General Release

REPORT TO:	Cabinet Member for Finance and Treasury 23rd January 2017
AGENDA ITEM:	n/a – background paper to Investing in our Borough item – Cabinet meeting 23/01/17
SUBJECT:	Award of a Concession Contract for a Managing Agent for Advertising Assets
LEAD OFFICER:	Graham Cadle, Director Customer Transformation
CABINET MEMBER:	Councillor Simon Hall Cabinet Member for Finance and Treasury
WARDS:	All

CORPORATE PRIORITY/POLICY CONTEXT

As part of the ‘Commercial Croydon’ programme, the potential income from a carefully thought through and managed approach to advertising will significantly contribute to the £100m savings agenda. The modernisation of advertising infrastructure will also support the improved look and feel of Croydon’s public realm – helping to secure Croydon as a modern, vibrant 21st century “city”.

AMBITIOUS FOR CROYDON & WHY ARE WE DOING THIS:

By improving the use of our estate for advertising and sponsorship we are meeting the Ambitious for Croydon outcome “*to be innovative and enterprising in using available resources to change lives for the better.*”

FINANCIAL IMPACT:

The contract for a Managing Agent will be let as a concession, which means there will be no upfront costs and therefore no financial risk to the Council. The Managing Agent, once in place, will then work with the Council to secure a good level of income across the council’s estate, with their fees coming as a percentage of that income to minimise financial risk.

KEY DECISION REFERENCE NO.: 01.17.FT. This is a key decision as defined in the Council’s Constitution. The decision may be implemented from 1300 hours on the expiry of 5 working days after it is made, unless the decision is referred to the Scrutiny & Strategic Overview Committee by the requisite number of Councillors.

1. RECOMMENDATIONS

- 1.1 The Cabinet Member for Finance and Treasury in consultation with the Leader of the Council is recommended to approve the award of a concession contract for a Managing Agent to the company named in Part B of this report, for a contact term of four (4) years.
- 1.2 The name of the winning bidder and estimated contract value will be published in the public domain once the award decision has been made.

2. EXECUTIVE SUMMARY

- 2.1 To enable the Council to generate much needed income from exploiting its advertising infrastructure, the recommendation of this report is that the Council moves to implementing a 'managed service' approach by engaging an advertising Managing Agent. The specialist Managing Agent, ("the Agent"), has been selected via a competitive tendering exercise and will be responsible for managing and overseeing all of the Council's advertising activity in the borough.
- 2.2 This recommendation comes as a result of (i) a strategic review carried out in December 2014, which identified opportunities for out-of-home large scale digital format advertising; (ii) the extensive market testing exercise led by Newham LBC in July 2015; and (iii) the procurement activity carried out between Croydon, Newham and Havering Councils since February 2016.
- 2.3 Although the 'managed service' approach via a concession contract will reduce the total amount of income the Council receives from advertising, (as the Agent will receive part of the income in the form of 'profit share'), the reduction in income is mitigated as appointing an Agent will ensure the Council has a market expert to support it in the management of existing contracts and the Agent will advise and support the tendering of advertising opportunities which the Agent will then manage, on the Council's behalf.
- 2.4 The purpose of this report is to recommend the award of a concession contract for a maximum term of 4 years to the Agent to manage the Council's advertising assets.
- 2.5 The procurement strategy was approved by the Contracts and Commissioning Board on 11/05/16 CCB ref CCB1137/16-17. The Head of SCC Resources agreed to a change in the evaluation criteria to 50:50 under urgency as per regulation 17 of the Tenders & Contracts Regulations.
- 2.6 The content of this Award Report has been endorsed by the Contracts and Commissioning Board.

CCB Approval Date	CCB ref. number
09/01/17	1193/16-17

3. DETAIL

3.1 Reasons for pursuing advertising as an income stream:

- 3.1.1 Croydon Council needs to make significant savings in the next three years and one way of contributing to this is by generating more income to off-set against current costs/expenses. Increasing revenue from Council owned assets, such as highways and buildings through advertising is one way of helping meet this financial challenge.

- 3.1.2 Juxtaposed with this is the £5 billion private/public regeneration programme taking place within the town centre which, through the proposed Whitgift development, will transform Croydon as a place to work, live, visit and, ultimately enjoy. This will see Croydon rejuvenate and regenerate into one of the most modern, vibrant and commercial destinations outside of central London.
- 3.1.3 Out of Home (OOH) advertising is already an established feature of the urban landscape and is a complimentary land use in leisure, retail and commercial environments. OOH advertising helps to support local and national economies by attracting inward investment and driving consumer demand for goods and services, leading to more companies wanting to advertise in prime locations thereby generating additional income for the Council and supporting local businesses.
- 3.1.4 Research indicates that digital OOH advertising has seen double-digit annual growth since 2010 and landlords who are looking to offer media sites to the market today are doing so during a digital 'gold rush'. Like for like digital OOH advertising sales grew 15% in Q4 2013 and now account for 21% of total OOH media spend. Q2 2014 recorded the strongest digital OOH sales results to date for any single period, exceeding even the period of the London 2012 Olympics.
- 3.1.5 Rents in excess of £1m per annum are now being achieved by landlords for premium OOH advertising sites. These rents are a product of scarcity which is derived from location and planning factors. High rental value sites will always:
- Be in town centre locations
 - Have good visibility splays
 - Have high vehicle and/or footfall traffic
 - Have limited competition from nearby sites
 - Be well designed
 - Benefit from an express or deemed advertising consent
- 3.1.6 Where one or more of these factors are absent, the rental values will be reduced accordingly. Where none of these factors exists at all there will be little or no demand from media owners. Fortunately, Croydon fulfils all of these factors, as described above.

3.2 Benefits and risks of pursuing advertising as an income stream:

- 3.2.1 The main benefits include:
- Being an established revenue source from which the Council can deliver fast, significant commercial gains
 - Unlicensed sites, i.e. not council assets and where a private arrangement is in place, are more easily identified so the content and operation of these can be controlled and income can be recouped where appropriate
 - Creating employment across different sectors including creative, commercial, professional and construction
 - Adding diversity, modernity and vibrancy to the streetscape and design led street furniture

- Driving capital investment in up-to-date advertising infrastructure
- Having top quality brands associated with a location

3.2.2 The main risks are:

- Private landlords developing in place of council sites
- Local residents not supporting individual sites or the policy as a whole
- Advertisers displaying content or brands which are not supported by the Council

3.2.3 These risks are mitigated through the Council's strategic policy framework and planning process.

3.3 Contract term:

3.3.1 The contract term will be four (4) years as agreed in the procurement strategy.

3.4 The procurement process:

3.4.1 During the summer of 2015, Newham Council issued a Prior Information Notice seeking expressions of interest from all types of media specialists in a market warming exercise which was conducted to help members of the London Contracts and Supply Group (LCSG), of which Croydon Council is a member, understand the advertising market, best route to market and potential income. A number of companies expressed an interest and all companies that responded were invited to attend an 'interview' held at Newham Council offices. Croydon's Category Manager for Corporate Services attended all 'interviews'. The key findings of this exercise supported the Council's initial analysis that the OOH advertising sector is a complex and specialist industry, with several tiers within the supply chain. As a result of the market engagement exercise, the Council decision was to engage an 'Agent' to support the Council to derive optimal income from its advertising assets with sourcing recommendations, co-design and development of tendering documents and to manage subsequent contracts with media owners on the Council's behalf.

3.4.2 Following the market warming exercise detailed above, Newham Council, in February 2016 placed a contract notice in the OJEU (2015/S 246/447465) and undertook a procurement process on behalf of all members of the LCSG to establish a multi supplier concession framework of Agents from which members of the LCSG could call off via a mini competition. The framework was awarded in March 2016 to the following organisations

- Community Partners Ltd
- Fortuna Associates Ltd
- Immediate Solutions
- The Out of Home Media Consultancy Ltd
- Wildstone Media Consultancy

3.4.3 Croydon Council undertook a mini competition from the framework in October 2016 inviting bids from all organisations listed in 3.4.2 via Newham Council's e-tendering system. The basis of the contract award was the most economically advantageous tender. The weighting used (in accordance with the framework)

was 50% quality and 50% price. As this is a concession contract 'price' is the 'profit share' to the Council.

3.4.4 Quality: Bids were evaluated by the Councils Director of Customer Transformation, Director of Streets and Head of Development Management on the following criteria

- Tenderers were asked to advise the Council on how they would maximise revenue for each advertising category and support the Council on tendering opportunities/ obtain planning & other approvals as required (15%)
- Tenderers were asked how they would advise and support the Council to contract manage each advertising category to ensure maximum revenue is received through high quality maintenance and maximum use of all available assets (15%)
- Tenderers were asked to provide assurance to the Council that they have sufficient resources, expertise and experience to sustain their commercial offer throughout the life of the contract (10%)
- Tenderers were asked to provide details of how their commercial offer was realistic and achievable and how they would provide transparent accounting (10%)

3.4.5 Price Evaluation:

- The profit share to the Council (25%)
The best fixed value was attributed the maximum weighting
- Estimated value of media assets linked to business viability (25%)
Bidders were required to support their figures by providing a full explanation, (supporting statement), on how they had estimated the value of media assets.

A scoring methodology (0 to 5) was applied to rate the business viability of the estimated value of the media assets value.

The business viability score attained was then used to re-calculate the total estimated profit share.

3.5 Mini Competition Results

3.5.1 Three bids were received via Newham Council's e-tendering portal on 21st October 2016. One bid was deemed non-compliant as the Tenderer couldn't deliver across all media categories therefore their bid was not evaluated. The two other bids received were compliant and were evaluated.

3.5.2 The quality and price scores were combined and results are below

Ranking	Supplier	Quality Score 50% weighting	Price Score Fixed price percentage to Council 25% weighting	Price Score Value of assets + BV 25% weighting	Total Score
1st	B	38.00	21.21	25.00	84.21
2nd	A	24.00	25.00	2.53	51.53

3.5.3 The contracted Agent will be operating on a profit share basis and is expected to utilise its market expertise to develop the most commercially advantageous packages and sourcing approach. The mini competition process established the Council's expectations around the balance between quality and commercial benefit. The Council does not have the internal expertise to develop the various advertising packages and sourcing approaches on its own and will therefore adopt proposals recommended by the Agent. A strategy report for all tendering >£100k will be presented to CCB prior to any procurement in accordance with the Council's Tenders and Contracts Regulations.

4. CONSULTATION

- 4.1 Public consultation will take place as part of the planning approval process for any potential new advertising sites.
- 4.2 To date, there has been significant input from legal services, procurement, property services and highways.

5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

1 Revenue and Capital consequences of report recommendations

As detailed in Part B of this report.

2 The effect of the decision

The decision will have a positive impact on the Council's financial position. Working with a specialist management agency in advertising, the Council can ensure that the Council secures a solid income stream which it currently does not have.

3 Risks

The main risk is that the anticipated level of income is not achieved. This risk is mitigated by the Agent receiving a fixed percentage of the income generated, robust contract management and open book accounting.

4 Options

No other options are being considered.

5 Future savings/efficiencies

Estimated income is in Part B of this report.

Approved by Zulf Darr, Interim Head of Finance

6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

- 6.1 The Acting Solicitor to the Council comments that the procurement process as described in this report seeks to support the Council's duty to achieve best value pursuant to the Local Government Act 1999 and appears to have been undertaken in accordance with the requirements of the London Contracts and Supply's Group (LCSG) Framework conditions.

Approved by: Jacqueline Harris-Baker, Acting Council Solicitor & Acting Monitoring Officer

7. HUMAN RESOURCES IMPACT

- 7.1 There are no immediate HR considerations that arise as a result of this contract award for LBC staff or workers

Approved by Jason Singh, HR Business Partner on behalf of the Assistant Director of HR.

8. EQUALITIES IMPACT

- 8.1 An initial equalities assessment has been carried out and subsequently signed off by the Council's equalities team. The assessment found there to be no adverse impact on any of the groups with protected characteristics.

9. ENVIRONMENTAL IMPACT

- 9.1 The National Planning Policy Framework (NPPF) places great importance on the design of the built environment and as such, is a key aspect of sustainable development. Paragraph 63 states that great weight should be given to "outstanding or innovative designs which help raise the standard of design more generally in an area". In contrast, poor design should be refused where it fails to take opportunities to improve the character and quality of an area.
- 9.2 Poorly placed advertisements can have a negative impact on the appearance of the built and natural environment. Control over outdoor advertisements should be efficient, effective and simple in concept and should be subject to control only in the interests of amenity and public safety, taking account of cumulative impacts. Only advertisements which will clearly have an appreciable impact on a building or their surroundings should be subject to the local planning authority's detailed assessment. Policy UD5 (advertisements) in the Council's unitary development plan (UDP) suggests that "advertisement hoardings and other forms of advertising will only be approved where they do not harm amenity or conflict with public safety". The policy states that "in appropriate locations, advertisements can enhance the vitality of an area", although warns against badly designed and poorly placed advertisements.

10. CRIME AND DISORDER REDUCTION IMPACT

10.1 There are no implications on crime and disorder.

11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

11.1 The option to secure a specialist management agency, whilst reducing the total income netted by the Council, will mitigate the risk of trying to manage this in-house, particularly where we simply do not have the skills, knowledge and expertise in this specialist industry. It will ensure the Council will have a market specialist tendering, managing and overseeing the various advertising and sponsorship contracts.

12. OPTIONS CONSIDERED AND REJECTED

12.1 No other options are being considered.

CONTACT OFFICER:

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