

22 January 2009

Walsall Street Lighting PFI - Advertising Income Generated

Ward(s) All

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Summary of report:

This report gives a briefing of the current and projected position regarding income generation through advertising contracts within the Street Lighting PFI project

Background papers:

Various project based and financial working papers.

Reason for scrutiny:

To provide an update on the current and projected position regarding income generation through advertising contracts within the Street Lighting PFI project

Resource and legal considerations:

Income generation through advertising on street lighting columns within the borough is crucial to the overall success and affordability of the Street Lighting PFI. Should there be a shortfall then the Council will have to consider increased contributions from other revenue budgets.

Citizen impact:

Improved lighting is considered necessary to assist with the general safety of residents and motorists. Should the project become unaffordable then this will adversely affect all.

Environmental impact:

If insufficient income is generated then there will be a concern that the public lighting will not be adequately maintained in the future.

Performance management:

To date performance of this PFI project has been good however if funding is restricted then maintenance will be affected which could lead to a drop in KPI, increase in crime and fear of crime, night time accidents and burglaries. This will jeopardise performance standards of other areas that are dependent on the public lighting such as CCTV camera operations.

Equality Implications:

Reduced funding will not permit the provision of additional lighting to areas that are of concern

Consultation:

Planners, Advertisers, PFI partners

Contact Officer:

S. P. Pretty

Report Detail

1 Introduction

The Public lighting PFI Contract was signed on the 28th March 2002. At that time, the Government grant was not sufficient and a discount was negotiated with PFI partners in the form of revenue obtained through advertising on street lighting columns over the period 25 years which is the life of the contract. The risk of planning was identified as the Council's. This has been incorporated into the Project Documentation through a payment mechanism.

2 Forecast

The break even point was considered to be 175 sites where six sheet advertising could be installed out of the 25,000 assets in the borough of Walsall generating additional revenue to make this project affordable in 2028 which equated to approximately £7million. This target was expected to be exceeded making the project profitable for re-investment after 25 years.

3 Current position

- 3.1 The revenues from six sheet advertising which is incorporated within the public lighting PFI are lower than anticipated. So Four Sheet and Banner advertising is now being used to supplement this income stream.
- 3.2 The Council's Street Lighting Partner has entered into contracts with 3 providers in order to maximise income generation potential over the life of the contract.
- 3.3 Table 1 gives the current position with regard to approved and rented sites around the borough by advertising providers:

Walsall PFI Advertising Summary - <u>Update 17 Dec 08</u>								
Advertising Media	Preliminary Identification	Total No of applications submitted	Planning Approvals	Planning Refusals	Current sites submitted to planning for approvals	Appeal	Units Installed	planning approved signs not installed
Six Sheet advertising	80	45	41	4	0	2	16	25
Media lights	83	32	22	10	6	6 lost	15	2
Banners	70	50 (apps – some multiple) 52 (sites)	52 (sites) 65 (banners – some double)	0	0	0	variable	

Table 1 Summary of Planning Progress

- 3.4 Council officers and colleagues from the Street lighting partner have regular meetings with the advertising contractors in order to identify viable sites and to assist in maximising potential income. Currently sites above have generated £8138.32 income for the Council.
- 3.5 A summary of the current revenue and forecast till 2010 is shown in Table 2.

Provider		Year			
		2007/08	2008/09	2009/10	2010/11
24/7	Secure	1,616.00			
	Anticipated	0.00		10,944.00	17,712.00
24/7	Total	1,616.00	0.00	10,944.00	17,712.00
Media Lights	Secure	5,950.00	10,200.00	10,200.00	4,250.00
	Anticipated			2,800.00	15,250.00
	Cost	-5,950.00	-4,250.00	-1,700.00	-2,550.00
Media Lights	Total	0.00	5,950.00	11,300.00	16,950.00
Bay Media	Secure		2,202.90		
	Anticipated			3,969.00	4,365.90
Bay Media	Total	0.00	2,202.90	3,969.00	4,365.90
	Grand Total	1,616.00	8,152.90	26,213.00	39,027.90
SPLIT	WMBC	1,616.00	6,522.32	23,159.20	34,764.72
	SPV		815.29	1,526.90	2,131.59
	AMEY		815.29	1,526.90	2,131.59

Table 2 Secure and Anticipated Revenue 2007 – 2010

4 General Issues contributing to non achievement of target

- 4.1 The borough is mostly residential and hence areas where advertising can be installed on street lighting columns are limited.
- 4.2 The limited area where it is possible to install advertising is again subject to conflict areas like roundabouts
- 4.3 The rate of refusals for planning applications is high. Hence the advertisers are not keen.
- 4.4 The refusals due to highway grounds are high.
- 4.5 Advertising on street lighting columns are subject to business rates in Walsall. Hence national advertisers are not keen on contracts in Walsall.

5 Issues by advertising providers

- 5.1 Six sheet advertising (247 outdoor)

5.1.1 Planning

Planning permission and especially those for the prime sites has been difficult to achieve.

5.1.2 Economic Climate

The current economic climate is having a significant impact on six sheet advertising sales

5.2 Four sheet advertising (Media Signs)

5.2.1 Planning

5.2.1a The issues raised mainly revolve around the sites identified as suitable for planning. These include very few central locations, nothing within 50m of a junction and are in isolated locations dotted throughout Walsall. This makes it very difficult to offer multi-sale opportunities.

5.2.1b There have also been instances of previous sites, identified as suitable locations during the original selection process with the Highways and Planning Departments, being turned down for planning permission. This was due to the signs being in conservation areas, near listed buildings or considered “too brash” for the areas.

5.2.2 Economic Climate

The current economic climate is having a negative impact on all advertising sales including 4 sheet advertising. The impact is slightly offset as long term contracts have already been agreed. 1 year contract are now however being considered by the advertiser.

5.2.3 Rates

The advertiser confirms that the cost of rates will be deducted from the revenue to share and notes that Walsall are his only client applying rates.

5.3 Banners (Baymedia)

5.3.1 Planning

5.3.1a Advertising opportunities often present themselves at events such as store openings, where locations are unknown in advance and short notice is given to the advertisers. As Walsall require the full planning process adhered to opportunities are lost as the permission takes longer to gain than the notice period and advertising event.

5.3.1b The advertiser notes that other Authorities take a more “commercial approach” and allow the installation of banners as long as permission has been applied for.

5.3.1c The advertiser has noted that Highways Consent only may be required if the advertising is to highlight a public interest campaign.

5.3.2 Economic Climate

The economic climate is having an impact on sales however the advertiser believes that it will not be significant as many sales are generated from public campaigns.

6 Advertising on street lighting columns in other areas nationally

- 6.1 Planning and highway standards are not as high as those in Walsall.
- 6.2 Some planning and highway issues appear to be overruled and possibly compromised for the revenue benefit in certain Authorities.
- 6.3 We are advised that business rates are not being applied in other areas for advertising except Birmingham but they do not have any advertising on street lighting columns.

7 The future

- 7.1 If there are future increases in approved sites and consequential increases in income mean that currently a total in excess of £750,000 is projected to be generated to the end of the PFI contract (in 2028).

8 Conclusion

- 8.1 Advertising spend in the UK was down across the board by 20% in 2008 and this is likely to get worse as the economic climate gets worse.
- 8.2 Unless more commercially viable sites that are identified are approved by planning and highways, there will not be any growth in the revenue.
- 8.3 These sites could be used for Council's campaigns and this could be encouraged. However, other services would have to pay for this.
- 8.4 Other advertising initiatives by the Council may adversely impact on the Public lighting PFI project in the long term