

CABINET PROCUREMENT & INSOURCING COMMITTEE

CONTRACT AWARD REPORT

Contract Award Report	
Title of Report	External Advertising Contract Award Report
Key Decision No.	CED S154
CPIC Meeting Date	16th January 2023
Classification	Open with Exempt Appendix
Ward(s) Affected	All Wards
Cabinet Member	Clr Kennedy, Cabinet Member for Health, Adult Social Care, Voluntary Sector and Leisure
Key Decision	<p>Yes</p> <p>The concession contract will contribute to the Council's short and medium term savings through revenue generation and business rates collection. There are no costs to the Council.</p>
Group Director	Mark Carroll, Chief Executive
Contract value, <u>both</u> Inclusive of VAT and Exclusive of VAT (for the duration of the contract including extensions)	The final value of the contract is dependent on the number of sites which are allocated planning consent by Hackney planning authority and Transport for London. Please see section 6 for financial notes in project progress.
Contract duration (including extensions e.g. 2 yrs + 1 yr + 1 yr)	10 years with option to extend by a further 5 years

1. Cabinet Member's Introduction

- 1.1. The last time this Council let an Out of Home Advertising contract, in the 1990s, the world was a very different place. This new contract recognises that we live in a climate emergency and therefore reduces the number of sites, their energy consumption and their hours of operation, whilst adding social value, generating revenue and providing an important communications

platform for public health and emergency messaging.

- 1.2. The contract and the site specifications have been worked up in accordance with public realm and environmental policies and in conjunction with the Council's planning department and provides a measured approach to Hackney's external advertising estate for the next decade and beyond.

2. Group Director's Introduction

- 2.1. This contract represents an opportunity to generate significant income - around £6m over 10 years - for the Council, at a time of great financial challenge, as well as to provide a valuable channel for us to get vital public service messages to residents, and in particular those with limited access to other media.
- 2.2. This represents the culmination of 2 years of thorough work, testing the market, working closely with the planning and procurement teams, and Streetscene colleagues, consulting backbench councillors, partners, and accessibility groups, and working with potential suppliers. It achieves a substantial reduction in advertising sites both in terms of number and size, thus minimising on-street clutter, at the same time as increasing revenue and social value. The social value element of the contract will provide a funded apprenticeship, contributions to public toilets and tree planting across the borough, and advertising opportunities for local SMEs.
- 2.3. Whilst there have been some concerns raised by backbench councillors about the environmental impact of digital advertising and the accessibility impact of on street boards, the work that has gone into the procurement has minimised those impacts, and ensured that we have been able to procure a contract whose benefits far outweigh any adverse impacts.

3. Recommendations

- 3.1 **Cabinet Procurement and Insourcing Committee is recommended to agree that Supplier 2 is awarded the new digital only advertising contract.**

4. Related Decisions

- 4.1. In July 2022, CPIC agreed to go out to the market to procure a new external advertising concession contract. This was agreed further to internal assessment work carried out during 2021/22, which was agreed at July 2021 CPIC. See Appendix 1&2

5. Reason(s) For Decision / Options Appraisal

- 5.1. Hackney's external advertising concession contract ended in September 2021. The concession contract had been in place for over 20 years and was not fit for purpose. In 2021, CPIC agreed to allow internal assessment work to be carried out over a 18 month period. Due to the length of the previous contract, the objective of the assessment was to better understand the market for external advertising, factor in updated policies, planning regulations and the Council's public realm approaches. This was carried out in order to ensure any future contracts would be relevant and fit for purpose following a fair and robust procurement process. This, and previous reports provide improved information and advice on the benefits of external advertising spaces within the borough. Officers have followed collaborative and performance driven approaches with relevant internal and external stakeholders, whilst also completing a market test to determine the most relevant and best opportunities for future contracts.
- 5.2. Assessment work carried out during the extension period included a Pre Application Report, [Appendix 3] provided by Hackney Planning, which followed the Council's planning performance agreement (PPA) approach. Part of the overall assessment's objective was to use the above methodology to identify sites which potentially created obstruction points, street clutter and were not in keeping with the area's characteristics.
- 5.3. A second assessment was carried out by officers using the above planning considerations to ensure all sites indicated with a location move status in the pre application would be able to meet future planning criteria. As a result we have reduced the overall number of advertising units from 54 to 31, a 43% decrease, specifically identifying units with the most negative impact on pedestrian flow.
- 5.4. Furthermore the procurement specification was adjusted to take into account residents with disabilities after a face-to-face consultation with an affected resident and we have reduced the overall contract length from 25 years to 10 years, with an option to extend by 5 years.
- 5.5. Any new contract will take a digital only approach, which allows the Council to increase revenue income which can be used to invest in local services, bring in a significant social value resource and continue to provide public information to our residents and visitors in the out of home environment. The public value of these units have been demonstrated over a number of years. The units allow the Council to communicate strategic objectives such as service changes, consultations and important public health and safety information, while also keeping residents informed about events and our cultural offerings. A recent example of this is the Polio outbreak in London, where we have used QR codes on outdoor posters to redirect residents to relevant vaccination centres and information. To add to this, during the

pandemic localised lock down and vaccination messages were displayed, with the latter also using QR codes which were scanned multiple times. See appendix 5

- 5.6. Whilst the Council recognises digital units will mean more energy consumption is used, the procurement specification clearly highlights the importance of sustainability for the Council. Quality questions were also included to ensure bidders provided clear information around accreditations details and internal sustainability policies, processes and targets to meet future zero emissions objectives. All bidders included a number of clear sustainability internal mechanisms to reduce carbon emissions, plus accreditation on energy sourcing and distribution.
- 5.7. External advertising sites are leased by the Council through a concession contract agreement. The units installed on these sites are fully owned by the supplier and therefore the responsibility of the supplier and subject to annual business rates tax.
- 5.8. Financial considerations are very much dependent on suppliers achieving planning consent from Hackney for borough roads, and TFL for RED routes, which will only be applied for post contract award. For the purposes of this report, financial information is presented based on all 31 sites receiving planning consent. The winning bidder will pay a substantial social value fee as a one off payment at the start of the contract which will be used to create a social value grant pot, plus a significantly increased annual fee, along with business rates tax associated with each site. A capped 3% annual CPI has been included in the financial offer providing a multi million pound income flow into the Council over the 10 year contract period.
- 5.9. Social value has also been an important aspect of this procurement with 15 out of 50% allocated in the quality questions. The winning bid provides a substantial initial one off social value offer, plus the highest annual income to allow the Council to invest in local services either through contributing to the Council's budget strategy or a social value grants programme. This has the potential to provide access to annual funding for local business advertising; an apprenticeship position; part funding for additional public toilets; tree planting and vision impaired technology upgrades for visually impaired residents to mention a few.

6. Alternative Options (Considered and Rejected)

- 6.1. Alternative options included doing nothing, which has been rejected as carrying out this option implies losing a significant amount of potential income and reduces a strategic communications channel for the Council.

- 6.2. Insourcing is not an option for the Council to pursue due to the significant capital investment required to purchase the infrastructure. The market has specialist media buying organisations who have technological and purchasing power, which the Council cannot realistically compete with.

7. Project Progress

7.1. Developments since the Business Case approval.

In the previous CPIC report, we estimated three scenarios for income. Having received four competitive bids, the income has increased significantly, which demonstrates the value of sites within Hackney. There is also a one-off contract purchase, which will provide the basis for a significant internal social value grants programme. Sustainability credentials and accreditations provided by the winning bid demonstrate a considerable amount of commitment to meet zero emission targets over the length of the contract.

7.2. Whole Life Costing/Budgets

As set out in all previous reports, there are no investment or annual contract costs to the Council, which means all income generated can be used to invest in local services and support the Council's budget and savings strategy.

8. Savings

- 8.1. As part of the review of external advertising it was identified in early 2021 that the re procurement of this contract could deliver a saving to the Council in the form of additional income. Therefore as part of the budget setting for 2022/23 a savings proposal was approved for £50K arising from this procurement to be delivered from 2023/24. This procurement and the successful delivery of this contract will deliver the saving and has the potential to deliver more over the contract term.

9. Sustainability Issues and Opportunities, Social Value Benefits

- 9.1. **Procuring Green**: Work carried out by internal officers in the public realm and planning using a planning performance approach reduced the number of sites across the borough from 54 to 31, reducing the number of sites available to bidders. Changing the old infrastructure to new digital units reduces the need for a supplier to attend print based sites using a vehicle, which in turn reduces carbon emissions and congestion in the borough. The winning bid uses proprietary technology to reduce power consumption by up to 50% of existing units, which have a guaranteed operational life of 10 years minimum. Furthermore ambient environmental controls built into the units automatically adjust brightness control and temperature according to the environmental surroundings. Lastly all units will be switched off between the hours of midnight to 5am everyday to further reduce energy consumption and reduce

the impact on biodiversity.

- 9.2. **Procuring for a Better Society**: The primary economic benefit to the Council is income, which has significantly increased from the previous contract. The winning bidder will pay a substantial social value one off upfront cash offer to be used by the Council for social value projects to benefit our residents and businesses. The bidder also provided the highest annual income, which opens up a number of opportunities for the Council to contribute to a number of operational programmes, which help meet a variety of strategic objectives. The procurement was open and fair and received 38 suppliers of various organisation sizes who expressed, however only four ended up submitting a bid by the deadline.
- 9.3. **Procuring Fair Delivery**: While the Council has a number of different channels we use to communicate, research clearly shows that people are more likely to change their behaviour when they see the same messaging in different communications channels. Maintaining a network of out of home communications infrastructure is an important part of the Council's overall communications mix. Through our network of advertising sites the Council has delivered service change, cultural events and public and safety health information, such as the example set out in paragraph 5.5. We also recognise the negative impact of advertising which is part of this contract. We have therefore consulted with public health colleagues and fast food campaign groups to ensure we have a clear and robust advertising policy [appendix 4] which agrees to principles set out in the [Good foods for London Report](#).
- 9.4. **Equality Impact Assessment and Equality Issues**: The Council ran a soft market test to better understand the current market, and what suppliers were now able to provide as part of a new fit for purpose contract moving forward. Through our internal consultations and subsequent assessment work, we have always looked to reduce the number of sites, concentrating on those sites which no longer met our public realm approach or planning considerations. We also consulted with campaign groups regarding types of advertising, which led to the Council's first Advertising and Sponsorship policy. We have signed up to a London wide Healthier food advertising policy, and will work with Campaign groups to provide advertising space for behaviour change campaigns in future. Moreover we have done a tour of the A10 sites with blind residents to understand concerns this group of residents face when navigating our pavements. As a result we adapted our specification for the procurement, and will be looking at a number of new technologies which we will be able to offer people with visual disabilities as part of the ongoing contract.
- 9.5. **Social Value benefits**: All the suppliers were encouraged to provide significant social value in their bids either through finance, or other social value propositions. The winning bidder provides the Council a substantial social value offer as a one off payment to be used on a suitable social value

opportunity of the Council's choice. Furthermore, the increase in annual income provides enough funding for the Council to contribute to local services.

10. **Tender Evaluation**

- 10.1. **Evaluation:** The contract is valued below the relevant UK Public Procurement threshold (Concession Contracts Regulations 2016). An open competitive tender procedure was carried out in accordance with Hackney Contract Standing Orders.

38 organisations expressed an interest. Of these:

- 4 bids received - all were accepted.
- There were 0 late submissions.
- 8 Service Providers opted not to bid.
- 26 No response were received

- 10.2. The tender was evaluated using the MEAT (Most Economically Advantageous Tender) process according to the following weighting:

- Quality responses to the evaluation questions (50%)
- Bidders pricing submission (50%)

- 10.3. The Standard Questionnaire (SQ) checks and due diligence were done by the Procurement Category Manager.

- 10.4. Five quality questions [50%] were evaluated by a panel of three suitably qualified council officers:

- Head of Marketing and Commercial Services
- Transport Planner
- Strategic Head of Communications & Engagement

- 10.5. The pricing element [50%] was evaluated by

- Head of Marketing & Commercial Services
- Procurement Lead Officer

- 10.6. **Recommendation:** It is recommended that Supplier 2 is awarded this contract due to them supplying a fully compliant bid that met all mandatory requirements as stated in the 'Invitation to Tender' documentation and their bid scoring the highest using the MEAT evaluation process. Supplier 2 submitted the highest scoring quality bid. This is a very competitive market however supplier 2 best understood the value in providing an excellent financial offer along with a flexible social value offer. Supplier 2's price submission was 50% higher than the lowest bid.

Supplier	Annual Income Score Maximum 40%	Social Value one off Score Maximum 10%	Quality Score Maximum 50%	Total Score	Rank
1	10%	2.50%	34.67%	47.17	4
2	40%	5.00%	43.00%	88.00	1
3	30%	7.50%	36.00%	73.50	2
4	20%	10.00%	36.00%	66.00	3

Supplier	Annual Income Score Maximum 40%	Social Value one off Score Maximum 10%	Quality Score Maximum 50%	Total Score	Rank
1	10%	2.50%	34.67%	47.17	4
2	40%	5.00%	41.00%	86.00	1
3	30%	7.50%	35.00%	71.50	2
4	20%	10.00%	34.67%	66.00	3

11. Contract Management Arrangements

11.1. **Resources and Project Management (Roles and Responsibilities):**

Due to the nature of this contract the only resources for this contract include the Head of Marketing and Commercial Services and Business Support Manager as back up in the Communications and engagement team. There will be a requirement from the Communications team for officers to be trained on the cloud based media delivery system.

The supplier will provide six area managers led by a Head of Area for the implementation period. In order to engage with the Council's planning, highways public realm teams, plus submit planning applications, order new units and install, it is anticipated to take seven months. If the planning applications need to go to the planning sub-committee, an additional eight weeks will be needed, taking the implementation period to November 2023.

11.2. **Key Performance Indicators:**

Main KPI Targets Set	Monitoring
1. Income paid on quarterly basis	Quarterly contract management management
2. Unit light switch off 12-5am	Monthly electrical monitoring figures
3. Campaign airtime analysis	Monthly display metrics

12. Comments Of Group Director Of Finance And Corporate Resources

- 12 This report is seeking approval to award a commission contract for the provision of a digital only out of home advertising concession for 10 years. The expected income to the Council from this concession contract, dependent on planning consent and will yield a significant annual income for the Council.
- 12.2 There is an income budget of £115K per annum for the current external advertising contract. As part of the review of external advertising it was identified in early 2021 that the re procurement of this contract could deliver a saving to the Council in the form of additional income. Therefore as part of budget setting for 2022/23 a savings proposal was approved for annual £50K arising from this procurement that has already been factored into the Council's financial planning from 2023/24 onwards.
- 12.3 As part of the contract there will also be a one off cash contribution to deliver social value projects across the borough.
- 12.4 This concession contract, if successful, will deliver the approved saving for 2023/24 and has the potential to deliver significant annual income if planning permission is secured for all 31 sites. This income, if achieved, will contribute to the Council's budget and savings strategy going forward.

13. VAT Implications on Land & Property Transactions

No changes, or additional VAT implications are anticipated from the current contractual arrangements as we are replicating those arrangements in this concession contract.

14. Comments Of The Director, Legal, Democratic and Electoral Services

- 14.1 The services in this Report were assessed as High Risk by the Council and on 18th July 2022 Cabinet Procurement and Insourcing Committee agreed a Business Case in respect of the procurement of such services. Pursuant to paragraph 2.7.10 of Contract Standing Orders the approval to award a contract will be with Cabinet Procurement and Insourcing Committee.
- 14.2 Details of the procurement process undertaken by officers to procure the appointment of a long term partner for the delivery of external advertising in the Borough are set out in this Report. The proposed contract is a services concession contract under Regulation 3 of the Concession Contracts Regulations 2016.

15. Comments Of The Procurement Category Lead

A member of the Corporate Procurement Team supported every step of this tender process ensuring compliance, best value for money and fairness.

A market engagement exercise was conducted and an open tender procedure was carried out in accordance with the Public Contract Regulation 2015 and our internal Contract Standing Order. The contract is valued below the relevant UK Public Procurement threshold (Concession Contracts Regulations 2016) and we used the London Tenders Portal to advertise this opportunity and 4 bids passed our compliance checks and quality and price were evaluated.

I endorse this document and agree with the recommendations to award the contract to supplier 2 who provided the Most Economically Advantageous Tender. (MEAT)

APPENDICES

Appendix 1 - [External Advertising CPIC Business Case Report CE& CD](#)

Appendix 2 - [External Advertising Contract Extension BC - CPIC Report](#)

Appendix 3 - [Adverts Pre application report](#)

Appendix 4 - [Advertising and Sponsorship Policy](#)

Appendix 5 - [Polio and Pandemic QR Code scans and metrics](#)

Appendix 6 - Exempt

By Virtue of Paragraph(s) 3 Part 1 of schedule 12A of the Local Government Act 1972 this report and/or appendix is exempt because it contains Information relating to the financial or business affairs of any particular person (including the authority holding the information) and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

BACKGROUND PAPERS

None

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