



## **DAVIS/JAYEX – Advertising screen**

### **SUMMARY**

1. The DAVIS electronic advertising screen on the Co-op building started operation in October 2005, and for the reasons described in the attached report, it has failed to generate sufficient income to meet the running costs and to repay the borrowing.
2. The manufacturers, Jayex, have offered to buy the DAVIS screen from the Council, for £10,000. Jayex will recondition it, and resell it to Cardiff City Council to replace Cardiff's existing board.

### **RECOMMENDATION**

2. To sell the DAVIS screen to Jayex for £10,000.

### **REASON FOR RECOMMENDATION**

3. There is insufficient income from the screen to repay the pump priming or cover the annual running costs.



## **DAVIS/JAYEX –Advertising screen**

### **SUPPORTING INFORMATION**

- 1.1 Members will be aware of the circumstances leading up to the Council's acquisition of the DAVIS advertising screen. This has been the subject of previous reports to Cabinet, has been the subject of an internal audit report, and has been examined by Overview and Scrutiny Commission.
- 1.2 Cabinet approved the purchase of the screen from Jayex in March 2004. It cost £86,250 to purchase and install, and there was an arrangement for maintenance of the board by Jayex. The purchase price was met through £54,500 from the Modernisation Fund and the balance of £31,750 from City Centre Management reserves. The latter are the reserves built up through the commercial activities of CCM.
- 1.3 The arrangement was for Jayex to install the board on the wall of the Co-op Department Store on East Street. The board would be managed remotely by Jayex, using a telephone link and a pc located in the Co-op building behind the board. This required a BT connection from East Street.
- 1.4 City Publications were the preferred advertising agency, by virtue of their arrangement with Jayex for the only two other boards in existence, in Cardiff and Belfast.
- 1.5 The boards in Cardiff and Belfast had been seen by officers, so there was no need for specific site visits. The Cardiff board is still operational, located on three metre high poles in Queen Street, a major shopping thoroughfare. The Belfast board is on a major intersection to the south of the city centre, heading towards the Queen's University area. The Belfast board is mounted on the wall of the building, similar to the Co-op.
- 1.6 City Publications provided revenue figures for Cardiff and Belfast, from which officers assumed a worst case scenario of 50% of that performance for the Derby board. This anticipated a monthly rental of approximately £5,000, of which the Council would receive 50%. City Publications' and CCM's analysis of potential footfall for the Co-op were based on existing figures.
- 1.7 The Co-op were to receive 5% of the advertising time on the board in lieu of rent. The agreement was for the running costs of the board to be deducted, and the net proceeds from advertising revenue to be split between Jayex, City Publications and the Council.

- 1.8 Between the Cabinet approval in March 2004 and the erection of the screen in July 2005, officers undertook protracted discussions and negotiations with Jayex, the Co-op and BT, to get everything in place. Once the screen was erected, Jayex ran a series of 'dummy' adverts to highlight the existence of the board, and to enable them to carry out 'snagging'. The technical arrangements for Derby were slightly different from Cardiff and Belfast, in that Jayex would be managing the content on screen remotely, whereas in Cardiff and Belfast they were managed on site by City Publications (in Belfast) and by Cardiff City Council. Derby City Council and City Centre Management did not have the expertise, nor the capacity, to undertake direct management, and hence the arrangement made with Jayex and City Publications.
- 1.9 During the snagging period, which lasted until late October 2005, we believe a number of potential advertisers in the vicinity of the board perceived a negative view of the screen. Other circumstances then added to the difficulties in selling advertising space as described below.
- 1.10 Compared to our anticipated revenue of £5,000 per month, we actually achieved an income to the Council of less than £500 per month in the first year of operation. Officers investigated alternative uses and locations for the screen, as described below, but with the refurbishment of East Street, the decision was taken to switch off the screen in May 2007 in order to save further costs and losses.
- 1.11 The screen can only be used in external locations, and must be mounted on a building (because of its pc requirement and BT link) which limited the alternative locations that could be investigated. Locations outside the city centre were discounted quite quickly, as were locations within the conservation area part of the city centre (Cornmarket, Iron Gate, Sadler Gate, etc). Locations on St Peter's Street and the Spot were investigated, but for various reasons were not suitable.
- 1.12 Officers also checked whether the board could be operated in some way in conjunction with the Big Screen in the Market Place. These were dismissed because the boards have different technologies, different methods of operation, and differing purposes. The BBC board does not take advertising, and is managed via the Big Screen Manager at BBC Radio Derby, and so this option was also discounted.
- 1.13 In the meantime, officers investigated options for disposing of the board, bearing in mind that there are only two other boards of this type in existence in the UK. Cardiff City Council were contacted, and they confirmed that their board, which is 2 to 3 years older than ours, is coming to the end of its life and they would like to replace it. They had the option of acquiring a new board, which they would expect to have a life of 5 to 6 years, but they feel the technology will become outdated during that period. Hence a refurbished board with a lifetime of 3 years or so would be of use to them.
- 1.14 Jayex have confirmed that a new board would cost Cardiff City Council approximately £80,000, and by comparison they could take our board, paying us £10,000, refurbish it and sell it to Cardiff. Jayex would meet all the costs of removing the board, refurbishing it, and erecting it in Cardiff, and their profit element would be approximately £10,000 (ie comparable with their payment to Derby City Council).

- 1.15 The offer from Cardiff City Council is time limited because of the age of the board, and their need to make a decision about acquiring a new board should the proposed transaction between Jayex and Derby fall through. Members have requested a further report from officers on the procurement and operation of the DAVIS board but, in the meantime, it is recommended that the board should be sold to Jayex on the terms described in this report.

## OTHER OPTIONS CONSIDERED

### 2.1 Continue in present form

If no changes are made then there will be insufficient income generated to cover the annual running costs and the Council Modernisation Fund will never be repaid. The signboard will operate at an annual deficit of £6,000. By 2007/08 instead of having repaid the Modernisation Fund there will be an additional burden on Council funding of £66,700.

### 2.2 Switch off and remove

Removing the signboard would avoid the annual deficits; the pump priming would still not be repaid. Legal and contractual obligations would need to be considered and there are likely to be additional costs incurred in removing the equipment. This course of action would however limit the risk and financial burden on the Council.

### 2.3 Re-locate

It may be possible to re-site the screen elsewhere in the city, this would entail costs for removal from its current site and re-location. There is no guarantee that advertisers would want to use the screen in another location. Pump priming would not be repaid and DDC would still be liable for the running costs.

<b>For more information contact:</b> <b>Background papers:</b> <b>List of appendices:</b>	Richard Williams Tel. 01332 255974 e-mail <a href="mailto:richard.williams@derby.gov.uk">richard.williams@derby.gov.uk</a> None Appendix 1 – Implications
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<b>IMPLICATIONS</b>
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**Financial**

1. The screen cost £86,250. This was met through £54,500 of Modernisation Fund and £31,750 from CCM reserves. We have an offer of £10,000 plus VAT from Jayex to buy back the board. This would be used to pay back part of the Modernisation Fund. The balance of £44,500 would be met from reserves and savings.

**Legal**

2. None arising directly from this report.

**Personnel**

3. None.

**Equalities impact**

4. None.

**Corporate Priorities**

5. The proposal predominantly comes under the Council's Objective of **job opportunities** and also **strong and positive neighbourhoods, a healthy environment** and **shops, commercial and leisure activities**.