

REPORT TO: POLICY AND RESOURCES COMMITTEE – 13 JANUARY 2020
REPORT ON: C2022 COMMERCIALISATION – ADVERTISING & SPONSORSHIP
REPORT BY: CHIEF EXECUTIVE
REPORT NO: 19-2020

1 PURPOSE OF REPORT

To update the Committee on the progress of this C2022 commercialisation project and make proposals for next steps towards the securing of additional revenues for the Council through advertising and sponsorship opportunities.

2 RECOMMENDATION

It is recommended that the Committee:

- (i) Agree a procurement exercise (option 2) take place to engage an external commercial partner with the market expertise to identify and sell a portfolio of advertising/sponsorship options involving Council assets such as buildings, events and publications
- (ii) Approve the draft revised Commercial Sponsorship policy, which is attached as Appendix 1, to guide and support the above
- (iii) Agree the overall responsibility for advertising and sponsorship remains with City Development as this service is the owner of many of the related assets
- (iv) Agree approaching the three neighbouring councils to consider an advertising and sponsorship partnership

3 FINANCIAL IMPLICATIONS

It is anticipated that there would be no cost implications relating to the procurement of a commercial partner as described above. The agreement with the successful company would be on a sales commission basis (percentage to be determined), and the costs of creating a portfolio/prospectus based on their analysis of Council assets and the current market would be borne by the partner. Thereafter, additional income would be generated for the council which could increase annual revenues from current levels of around £230,000.

4 BACKGROUND

The Council's Transformation Programme set out in the Council Plan 2017 - 2022 and in detail in the Changing for the Future (C2022) plan adopted by the Policy & Resources Committee 25 June 2018 (Article V, Report No. [223-2018](#) refers) included the development of a project focussing on Charging, Concessions and Commercialisation opportunities as one of its top five priority projects.

As councils are in an increasingly difficult financial position and in order to best support and protect frontline services, it is important that Councils become even more commercially focused and take full advantage where they have assets/opportunities to maximise their income sources.

Dundee has recently been voted the best place to live in Scotland and it is important that while we continue to focus on driving our city forward and becoming a modern, innovative, successful and driven city that we ensure we are putting the needs of Dundee's citizens first and committing to projects which give benefit to Dundee as a whole.

Commercialisation

Dundee has already achieved a lot of success through commercialisation. As a city, it has gone through significant changes over previous decades and along this journey has achieved greater commercial success through its transformation endeavours.

While our commercial achievements are very good, it is important that we continue to look for more opportunities and learn from others. There is an opportunity to grow and build on our previous successes and take a targeted approach to commercialisation within Dundee City Council. It was therefore agreed by the C2022 Board that we should consider advertising and sponsorship to explore additional income generating opportunities.

5 ADVERTISING & SPONSORSHIP

Current Operating Model

Policy & Resources Committee on 12 January 2009 agreed to adopt a Commercial Sponsorship Policy (Article VIII), based on the Scottish Consumer Council's November 2008 published guidelines (Report [23-2009](#)). Whilst the core principles contained within this policy are largely still true today, it has been reviewed and updated. A revised draft is attached as Appendix 1.

While there is currently no one team within the Council with the dedicated remit to maximise advertising and sponsorship opportunities, there are a number of existing agreements managed through City Development.

The following advertising and sponsorship contracts are currently in place:

- Bus stop and street furniture advertising including static boards on pavements - the current contract is provided through Clear Channel UK Ltd. This is a 15 year contract, agreed at the Planning and Transportation Committee on 12 Feb 2007 and ending 31st March 2022 (Article VI [AN35-2007](#) refers).
- Roundabout sponsorship - provided by Community Partners Ltd (CP Media) and agreed at the City Development Committee on 25th March 2013 (Article X, Report No. [141-2013](#) refers).
- Lamp post advertising - provided by Bay Media, on an annual rolling contract.
- Bill board advertising - There are currently 4 sites available with 3 contractors advertising at these sites:
 - Clear Channel - Victoria Rd (Soapbox Lane) and 210 Lochee Rd - £3,000 x 2 for last 3 years. Leases on annual basis, although new 10 year contracts being negotiated.
 - JC Decaux – Ryehill Lane - £1,495 for last 3 years, with annual renewing lease.
 - Primesight – Clepington Rd £4,200 for last 3 years, with annual renewing lease.

As a result of the above listed advertising and sponsorship contracts and activities, City Development generates annual income, as detailed below:

Sources	Providers	Income 2016/17	Income 2017/18	Income 2018/19
Bus/St Furniture	Clear Channel	185,159	187,143	189,015
Roundabout	CP Media	30,538	28,373	30,854
Lamp Post	Bay Media	0	0	6,397
Bill Board	Clear Channel/JC Decaux	11,695	11,695	11,695

	/Primesight			
Total Income		£227,392	£227,211	£237,961

It is hoped that these sources of advertising revenue can be retained going forward, however it is clear that recent changes in legislation, detailed in the Risks section below, may undermine existing income streams. A working group was set up to consider what other opportunities there may be, and these may help grown new income streams and offset any losses in income which may occur.

Review

An advertising and sponsorship sub group met in September 2019, led by Steven Bell, Communications Manager, with members from City Development, Chief Executive, Leisure & Culture Dundee and the Tayside Procurement Consortium to discuss advertising and sponsorship opportunities.

Many income generation opportunities were discussed in this working group but detailed below are the proposed key areas of focus during the next 6 months.

- Assess key assets and develop an online glossy brochure and actively promote
- Agree list of assets and/or events for sponsorship or advertising. Examples of this might include the Regional Performance Centre for Sport, Waterfront Wi-Fi/under-construction buildings, Flower and Food Festival and Christmas Light Night, widely distributed publications, fleet vehicles etc.
- Third Party advertising and sponsorship partnership with Angus, Fife and Perth & Kinross Councils.

[Portsmouth City Council](#) is a good example of a council who have embraced advertising and sponsorship as a key away to do business with the Council. They have an attractive online brochure which actively promotes their extensive advertising opportunities, including digital advertising, internal floor graphics, advertising at recycling centres, car parks, on the side of vehicles and on staff payslips. They provide details of costs for each advertisement type and the estimated customer reach possible. If like Portsmouth, Dundee City Council could be more proactive, there is an opportunity to attract more companies to advertise within Dundee and generate more income.

Options Considered

Three options have been appraised to drive forward our advertising and sponsorship opportunities:

Option 1 – recruit specialist with advertising background, who would carry out the initial scoping work then begin to “sell” the opportunities

While there are significant advantages to bringing this work “in house,” it would require the external recruitment of an individual with up-to-date market knowledge and sales experience. Potential applicants for a role of this nature would expect to be paid on a salary + commission basis, which the Council is unlikely to consider offering. Recruitment and retention would therefore be difficult.

Option 2 – partnering with a third party

Partnering with a third party to manage our advertising and sponsorship activities would allow us to increase our advertising revenue without the need to recruit additional staff.

As part of the procurement process, the Council would expect the company to bring in a certain level of additional income through additional advertising and sponsorship. Work would need to

be carried out to identify what would be a reasonable target to aim to achieve in the Dundee area in addition to the circa £230,000 per annum.

Procuring a company to manage our advertising would be based on a commission basis. From research into this area, it is clear that the amount of commission charged varies, the table below for illustrative purposes only shows how this would work based on additional income of £50,000.

	Commission rate		
	10%	20%	30%
Commission	£5,000	£10,000	£15,000
Income to Council	£45,000	£40,000	£35,000

There may be a potential collaboration option available when considering advertising and sponsorship opportunities. If our neighbouring authorities in Angus, Perth and Kinross and Fife would be interested, we could approach the procurement as a regional opportunity which would give a third party a much larger reach and the potential to attract larger contracts and ultimately generate more income. If this option was approved for further review, further discussions would be had with the other Councils to see if this is a desired option to explore.

Option 3 – Do nothing

The Council already generates over £230,000 of income from the current sponsorship contracts in place, so we could just seek to renew these contracts where possible. Given the financial context that the council is currently operating in and the need to find other income sources and make savings, this option is not recommended.

Risks

Advertising and sponsorship is a volatile market, which while growing steadily is subject to trends and fluctuations. Net advertising spend in the UK has doubled in the last two decades to nearly £21billion, but societal and technological changes over that period have resulted in a growing percentage of advertisers' budgets going into digital (web etc.) advertising dominated by a small number of companies.

Consequently, while there are undoubtedly opportunities to capitalise on assets (similar to the recent P&J Live sponsorship of Aberdeen's new arena) there is a risk that few (or even no) companies would be interested in partnering in this project in Dundee. It may also be that the portfolio assessment work critical to developing the offering would be considered an up-front cost to be borne by the Council.

The Electronic Communications Code introduced in 2017 (under the Communications Act 2003) gives Code Operators a right to install communications equipment for the purpose of electronic communications, over, on or under land controlled by them. Operators have designed communications hubs, which feature Wi-Fi and public phone capability to comply with this requirement. These hubs can also feature a strong digital advertising element. As they are proposed to sit on adopted land there may not be a need to seek the owner's agreement, and no payment to the landowner. It poses a risk to existing and future advertising revenue, due to increased market competition and the likely desire of advertising companies to avoid payment where possible.

It is therefore proposed that the Council does not budget for any net increase in commercial revenue generation at this time.

6 POLICY IMPLICATIONS

This report has been subject to an assessment of any impacts on Equality and Diversity, Fairness and Poverty, Environment and Corporate Risk. A copy of the Integrated Impact Assessment is available on the Council's website at www.dundee.gov.uk/ia.

7 CONSULTATION

The Council Management Team were consulted in the preparation of this report.

8 BACKGROUND PAPERS

None

David R Martin
Chief Executive

Date: 20 December 2019

Draft Policy on Commercial Sponsorship

1. INTRODUCTION

- 1.1 Dundee City Council encourages the involvement of the private and voluntary sectors in the sponsorship of and advertising on Council assets, events or activities wherever appropriate.
- 1.2 Council sponsorship may involve the Council receiving sponsorship or advertising revenue in the form of income generation, with the intention in all cases, to support the delivery of the Council's public services.
- 1.3 Sponsorship can be advantageous for all parties, however the Council must ensure all sponsorship and advertising agreements do not compromise or question the integrity of the Council's operations, or be associated with products/services which are inconsistent with the values or objectives of the organisation, with regard to the nature of the sponsor.

2. DEFINITION/SCOPE

- 2.1 "Sponsorship" can be defined as "a business relationship of mutual benefit involving the transference of funds, resources or services from the sponsor to the sponsored party in return for an association which is to the mutual satisfaction of both parties". To sponsor something is to support an asset, event, activity, person, or organisation financially or by providing products or services. It should be mutually beneficial.
- 2.2 Sponsorship provides the association of a sponsor's name with Council assets, events or activities. It can be particularly attractive in terms of the opportunities for media coverage and as a display of support for public services.
- 2.3 Sponsorship can help make the most of the commercial potential of the Council's tangible and non-tangible assets, allowing more productive use of existing resources and, potentially, generate an income for the Council to help reduce budgetary pressures.
- 2.4 Advertising is a form of communication used to raise awareness, encourage or persuade an audience - viewers, readers or listeners or a specific group of people – to do or believe something.
- 2.5 Advertising messages can take a variety of forms and can be viewed via a variety of traditional and new media (e.g. newspapers, magazines, outdoor advertising, direct mail and websites). A person who consumes advertising is anyone who is likely to receive a given marketing communication, whether in the course of business or not.

3. PRINCIPLES

- 3.1 The Council will adhere to the following principles when making decisions on commercial sponsorship and advertising arrangements.
- 3.2 The Council needs to ensure that the offering of different pricing strategies or discounts does not constitute financial aid.
- 3.3 The Council will seek legal, planning or other professional advice where necessary, from the Head of Legal and/or Planning.
- 3.4 Sponsorship and advertising agreements must include a statement that the Council's functions will continue to be carried out fully and impartially, notwithstanding the existence of a sponsorship arrangement.

- 3.5 The agreement will include a statement to the effect that any attempted influence of the Council's regulatory functions will result in an automatic review and/or termination of the sponsorship agreement.
- 3.6 The reputation and credibility of the Council must not be damaged by making agreements with unsuitable third parties and the form of sponsorship or advertising must be consistent with the stated objectives of the Council.
- 3.7 Agreements can be terminated by Dundee City Council if conditions of this policy are not met.
- 3.8 Agreements are formed with regard to public accountability and transparency with clear statements of objectives and benefits achieved.
- 3.9 The Council will not permit any sponsorship or advertising that represents a conflict of interest or is likely to cause serious or widespread offence. There should be no real or apparent conflict between the objectives and community goals of the Council and those of the sponsor. Particular care will be taken to avoid causing offence on the grounds of race, age, religion, sex, sexual orientation or disability. Content that is not permitted for advertising or sponsorship includes, but is not limited to, content that contains, infers or suggests any of the following:
- Advocacy of, or opposition to, any politically, environmentally or socially controversial subjects or issues;
 - Disparagement or promotion of any person or class of persons;
 - Promotion or incitement of illegal, violent or socially undesirable acts;
 - Promotion or availability of tobacco products, weapons, gambling or illegal drugs;
 - Advertising of financial organisations and loan advancers with punitive interest rates;
 - Promotion or availability of adult or sexually orientated entertainment materials;
 - Advertising that infringes on any trademark, copyright or patent rights of another company;
 - Claims or representations in violation of advertising or consumer protection laws.

In particular, the Council is committed to health improvement and helping people live longer healthier lives. Because of the potential for conflict of interest, the Council will evaluate very carefully sponsorship from companies if it would lead to the advertising of products that could be considered detrimental to health.

Extra care will also be taken where consumers are children or young people. The Council will ensure that commercial sponsorship adheres to the rules and regulations covering advertising to children. In particular:

- Under the British Code of Advertising, Sales Promotion and Direct Marketing, alcoholic drinks should not feature in promotions directed at people under 18; marketing should not condone or encourage poor nutritional habits or an unhealthy lifestyle in children under 16; marketing targeted at or featuring children should contain nothing that is likely to result in physical, mental or moral harm of children or could be seen to exploit the vulnerability or lack of experience of children.
- The Consumer Protection from Unfair Trading Regulations 2008 specifically ban marketing that includes a direct exhortation to children to buy advertised products or persuade adults to buy advertised products for them.
- The Council will be aware of the Schools (Health Promotion and Nutrition) (Scotland) Act 2007. While the Act does not extend beyond the school gate, the Council will ensure that sponsorship arrangements which impact on school children complement the health promotion objectives of schools.

- 3.10 Each sponsorship and advertising proposal must be subject to a risk assessment by Dundee City Council (or agent acting on its behalf). This includes assessing:
- That the sponsorship and advertising benefits for the third party do not outweigh the level of sponsorship, meaning there should be financial reward for the Council.
 - That the type or form of sponsorship or advertising is not inconsistent with the objectives or values of the Council;
 - That any sponsorship or advertising proposal does not anticipate explicit endorsement of the sponsor or sponsor's products, as this form of proposal is not acceptable to the Council;
 - No conflict of interest arises from the sponsorship or advertising;
 - The Council has the capacity to provide adequate resources, assets and facilities to fulfil the terms of the proposed agreement;
 - Whether the sponsor has a current planning application or planning matter before the Council may cause a conflict of interest;
 - The Council should not accept sponsorship or advertising from parties subject to or likely to be subject to a dispute with the Council's regulation or planning services, companies or organisations that are in direct competition for the Council's services or who owe the Council a debt.
- 3.11 If the risk assessment concludes that the risks are unacceptably high, or the Council is receiving minimal value from the proposal, the Council should discontinue consideration of the proposal at this stage.
- 3.12 The reasons for accepting sponsorship and advertising or offers of a partnership with an agency must be openly clarified by the Council. The agreement of sponsorship must clearly provide suitable provisions to deal with issues, which could include termination or suspension of the sponsorship agreement until the matter is resolved.
- 3.13 It is expected that any individual or organisation entering into, or already in, a sponsorship or advertising agreement with the Council will disclose whether there is a current planning application or planning matter relating to them, or if the individual or organisation is involved in any current dispute with the Council.

4. PUBLIC ACCOUNTABILITY/REPORTING

- 4.1 The Council is committed to principles of open government and of public accountability, transparency and accessibility. To meet these objectives, the Council agrees that:
- sponsorship and advertising agreements must be in the form of written agreement;
 - the Council's Sponsorship and Advertising Policy is publicly available and listed on the Council's website;
 - a public register of sponsorship and advertising agreements is maintained by the Council.

5. MARKETING AND MEDIA RELATIONS

- 5.1 The Council's communications team must be notified from the outset of all sponsorship agreements to be entered into by the Council.
- 5.2 Media relations for all sponsorship and advertising agreements (e.g. announcements of sponsorship arrangements) are undertaken on behalf of the Council by the Council's communications team, unless otherwise agreed.
- 5.3 All media information produced by the sponsor in relation to the sponsorship must be approved by the Council's Communications team before circulation.
- 5.4 The use of sponsors' logos and other branding must not interfere or conflict with the Council's own corporate identity, unless otherwise agreed.

5.5 The use of the Council's corporate identity on any sponsor's publicity must be approved by the Council's Communications team.

6. PROCEDURES FOR APPROVAL OF COMMERCIAL SPONSORSHIP WILL BE PROPORTIONATE, REFLECTING THE LEVEL OF SPONSORSHIP AND THE LIKELY EXTENT OF PUBLIC INTEREST

6.1 The Chief Executive and Executive Directors will be authorised to negotiate and approve commercial sponsorship arrangements which comply with this policy and where the value of the sponsorship does not exceed £25,000 and there is unlikely to be any significant level of public interest in the arrangement. The Chief Executive's advice and approval should be sought where the value of the arrangement exceeds £25,000, or is likely to attract public interest, or where Executive Directors have any concerns about the interpretation of this policy.

6.2 Committee approval will be sought by the Chief Executive where the value of the sponsorship arrangement exceeds £50,000 or it is anticipated that there will be significant public interest, including media coverage. Public consultation will be carried out where it is felt that the public are likely to have views on the proposed arrangements, with the method of consultation reflecting the nature of the arrangement and whether this affects the public as a whole or specific groups of residents or service users. Consultation will take place in accordance with the Council's overall approach to consulting residents and service users on policy development and service changes, and the results will be reported to Committee.

6.3 Records of commercial sponsorship contracts will be kept in accordance with the Council's document retention policy and the procedures for dealing with Freedom of Information requests.

6.4 In all cases, the Executive Directors of the service benefiting mainly from the sponsorship will be responsible for monitoring and evaluation. A copy of evaluation reports should be submitted to the Council Management Team so the organisation as a whole can learn from the experience of particular sponsorship arrangements.

7. DISCLAIMER

7.1 Acceptance of advertising or sponsorship does not imply any endorsement of the sponsor's products or services by the Council.

8. CONFLICT OF INTEREST

8.1 Council officers and elected members are required to declare in advance if they have any personal interests, involvement or potential conflict of interest with any potential sponsor. In the event of a potential conflict of interest, that officer or member will take no part in the consideration of sponsorship with that particular organisation.