

REPORT TO: POLICY AND RESOURCES COMMITTEE - 12 JANUARY 2009
REPORT ON: POLICY ON COMMERCIAL SPONSORSHIP
REPORT BY: ASSISTANT CHIEF EXECUTIVE
REPORT NO: 23-2009

1. PURPOSE OF REPORT

To recommend adoption of a policy on Commercial Sponsorship, based on guidelines published recently by Consumer Focus Scotland.

2. RECOMMENDATIONS

It is recommended that Committee:

- i) adopt the draft policy on Commercial Sponsorship which is attached as Appendix 1 to this report
- ii) agree that the policy should be placed on the Council's website and comments should be invited from the public
- iii) remit the Director of Education to ensure that, in addition to the Council-wide policy, sponsorship activity relating to schools conforms to the specific guidelines published in 2006 by the Scottish Consumer Council and available on the Consumer Focus Scotland website

3. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from the report. The proposed policy may have an impact on the level of funding received through commercial sponsorship.

4. BACKGROUND

- 4.1 Consumer Focus Scotland, with support from the Scottish Government, has produced guidelines on commercial sponsorship in the public sector. These cover sponsorship in the form of financial contributions, in-kind support (e.g. staff or equipment) or promotions such as vouchers or schemes which involve collecting or using points. The guidelines start from the premise that commercial sponsorship can be a positive opportunity, introducing new resources or approaches to the public sector, but also comes with risks which need to be understood and minimised. The risks include undue influence on consumer behaviour, exploitation of vulnerable consumers such as children, conflicting messages, negative media coverage and hidden costs to public sector organisations.
- 4.2 The guidelines have been used to develop a proposed policy on commercial sponsorship for Dundee City Council, which is attached as Appendix 1.
- 4.3 In 2006, the Scottish Consumer Council published guidelines for schools which cover the specific issues of sponsorship in an educational setting. These can be downloaded from www.consumerfocus-scotland.org.uk. It is recommended that the Director of Education be remitted to ensure that any commercial sponsorship activity relating to schools adheres to these guidelines as well as the overall policy of the Council.

5. **CONSULTATION**

- 5.1 The guidelines from Consumer Focus Scotland recommend that, in the interests of openness and transparency, and to ensure their views are taken into account, consumers and the public should be consulted on the commercial sponsorship policy. It is proposed that the policy should be made available on the Council's website and the opportunity to make comments should be publicised.
- 5.2 The Chief Executive, Depute Chief Executives, Head of Finance and all departmental Chief Officers have been consulted.

6. **POLICY IMPLICATIONS**

This report has been screened for any policy implications in respect of sustainability, strategic environmental assessment, anti-poverty, equality impact assessment and risk management. There are no major issues.

7. **BACKGROUND PAPERS**

Guidelines on Commercial Sponsorship in the Public Sector:
Consumer Focus Scotland - November 2008

Chris Ward
Assistant Chief Executive

06 January 2009

POLICY ON COMMERCIAL SPONSORSHIP

The Council will adhere to the following principles when making decisions on commercial sponsorship arrangements.

1. THE BENEFITS TO THE PUBLIC MUST OUTWEIGH THE COSTS OF COMMERCIAL SPONSORSHIP TO THE COUNCIL

The Council will pay particular attention to the risks associated with:

- hidden costs such as staff time, liability for VAT or insurance, and the ongoing cost of maintaining equipment
- association with private companies that do not have a positive public image or are involved in activities which would conflict with the Council's aims. A basic check on the company's activities and reputation will be carried out before accepting sponsorship

2. COMMERCIAL SPONSORSHIP WILL NOT UNDERMINE THE COUNCIL'S AIMS AND OBJECTIVES

The Council will ensure that commercial sponsorship complements its aims and objectives, and those of its key partners, and does not create confused, conflicting messages.

In particular, Dundee City 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 are high in fat, saturated fat, salt or sugar.

3. EXTRA CARE WILL 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

4. **CAUTION WILL BE TAKEN IF ACCEPTING COMMERCIAL SPONSORSHIP FROM ALCOHOL COMPANIES**

Given the concern about excessive alcohol consumption, the Council will be cautious of engaging in commercial sponsorship with alcohol companies. If this is being considered, the Council will ensure that marketing messages are minimised and responsible drinking messages are incorporated, and that any marketing activity conforms to industry standards.

Particular care will be taken where alcohol sponsorship involves providing samples of the product, to ensure that this does not encourage illegal or immoderate consumption.

Alcohol sponsorship will not be regarded as appropriate where over 25% of those attending a sponsored event or using the service are under 18.

5. **COMMERCIAL SPONSORSHIP WILL NOT PROMOTE TOBACCO PRODUCTS**

The Tobacco Advertising and Promotion Act 2002 prohibits the advertising, promoting and sponsorship of tobacco products. This makes it illegal for the Council to enter into any agreement which would promote a tobacco product.

6. **MARKETING ACTIVITY WILL BE PROPORTIONATE**

The Council will ensure that the marketing benefit resulting to private companies from commercial sponsorship is proportionate, and that the association made between the company and the Council is responsible.

In relation to proportionate marketing, the Council will ensure that:

- Marketing will not suggest that the Council endorses the company or product providing the sponsorship.
- Sponsor logos will be small and will not be larger or more prominent than the Council's logo.
- Explicit sales messages will be avoided.
- Companies will not be allowed to make claims that a particular product is superior to others.
- Information will not suggest that the sponsor is the only supplier of that type of product or service.

Where there are concerns about the extent of proposed marketing, it may be appropriate to negotiate options such as acknowledging the company's support in written publicity without using a logo or branding, or using corporate rather than specific product branding, although this will reduce the benefit to the sponsor.

7. COMMERCIAL SPONSORSHIP WILL BE USED FOR ADDITIONS OR IMPROVEMENTS, NOT FOR FUNDING CORE SERVICES

The Council will only use commercial sponsorship to fund additions or improvements to core services.

8. COMMERCIAL SPONSORSHIP WILL BE BASED ON A WRITTEN AGREEMENT

When entering into commercial sponsorship, the Council will develop a written agreement with the sponsor, spelling out the extent and limitations of the relationship and what both parties seek to gain from it.

The written agreement will be proportionate, so for small commercial sponsorship arrangements an exchange of letters may be sufficient. For large commercial sponsorship arrangements, a full contract will be required, which should include:

- a description of the resources to be provided by the sponsor and the length of their commitment.
- a description of the marketing or other benefits that the sponsor will receive, including what branding is to be allowed.
- clarification as to which party is responsible for the costs associated with producing marketing materials.
- clarification as to whether the sponsor will be the sole sponsor for the duration or whether co-sponsorship has been arranged or is being sought
- an explicit statement that sponsors will not receive preferential treatment during tendering processes, but will be treated the same as any other contractor when tendering for business.
- clarification of the licensing and protection of intellectual property rights owned by the parties.
- a clause stating that sponsors should receive written agreement from the Council for all marketing as a result of the commercial sponsorship agreement. This should include whether and how the sponsor will be allowed to publicise their relationship with the Council.
- a statement noting that, under Freedom of Information legislation, the Council may be obliged to release information on the sponsorship arrangement.
- details on how, and in what circumstances, either the sponsor or the Council can terminate the sponsorship arrangement.
- contact details for the responsible officers in both the Council and the sponsoring company.

9. COMMERCIAL SPONSORSHIP WILL BE EVALUATED

The Council will evaluate commercial sponsorship in order to:

- assess whether it achieved its aims and whether similar opportunities should be sought in future

- make sure that any difficulties experienced can be addressed in future commercial sponsorship arrangements.

The need for evaluation should be considered from the outset of a project, to ensure that evidence is gathered to support the evaluation. Evaluation may include the benefit to the public; what the public thought of the sponsorship; any positive or negative media coverage; any unforeseen costs to the Council; and anything which should be done differently in future.

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

Departmental Chief Officers 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 chief officers have any concerns about the interpretation of this policy.

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.

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.

In all cases, the Chief Officer of the department benefiting mainly from the sponsorship will be responsible for monitoring and evaluation. A copy of evaluation reports should be submitted to the Chief Executive and the Depute Chief Executives so the organisation as a whole can learn from the experience of particular sponsorship arrangements.