

Corporate Sponsorship

Resolution of Council: 21 November 2005



Responsibility:
Community Living

city of villages

City of Sydney Corporate Sponsorship Policy

Policy Owner: Director Community Living
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Introduction

Policy application

This Policy applies to all sponsorships received by the City of Sydney (City). It does not apply to the grants and sponsorships given by the City which are covered by the Grants and Sponsorships Policy 2005.

This Policy takes into consideration the Independent Commission Against Corruption's (ICAC) revised *Sponsorship Principles* (1995) which have been designed to be used as a guide by public sector agencies in establishing and managing private sector sponsorship. It also takes into consideration the Australian National Audit Office's document *Management of Corporate Sponsorship* (April 1997).

This Policy should be read in conjunction with the City's *Code of Conduct*.

This Corporate Sponsorship Policy outlines:

- What sponsorships the City will and will not undertake;
- Guidelines for assessing, managing, evaluating, developing and reporting on sponsorships; and
- The rights and responsibilities of all parties involved in a sponsorship in order to ensure there is neither conflict of interest nor negative impact on the City's reputation or probity.

Sponsorship

The City of Sydney has a range of responsibilities to deliver programs and services under the relevant legislation. It also produces events which contribute to the vibrant cultural life of Sydney and are generally free to the public.

Sponsorship is sought and used by a number of City departments, principally the Cultural Affairs unit, to obtain additional resources with which to support specific activities or programs. In addition, the success and public exposure of an activity can be enhanced by sponsorship.

Sponsorship can be provided as cash or as value-in-kind, where the sponsor provides a product or a service. The value of sponsorship arrangements can vary from a few hundred dollars to several million dollars. A sponsorship agreement can last from a few hours, for a specific event, to a partnership of several years between the City and sponsor.

Through sponsorship, the City can enhance, extend or reduce the cost of current activities or programs or develop new ones. It can do this by providing some benefit to a private sector company, corporation or other government agency in exchange for money, goods or services to support its activities.

The benefits to sponsors can include, for instance, the exposure of the sponsor's name or logo as a supporter of City activity. This activity may attract a larger or different audience from that which the sponsor might target in its normal business.

The association of the sponsor with the broader public interest of the City can improve the sponsor's relationship with its stakeholders, shareholders, staff and customers - as well as provide the opportunity for the sponsor to present its name and products to a wider market.

Who manages this policy?

The Director, Community Living manages the policy and processes outlined in this document (for more information contact the Director, Community Living). Most sponsorships for the City are managed by the Sponsorship Manager.

The purpose of this policy

This policy has been developed to provide a transparent process in the interests of public accountability. It provides a process for use by the City's Sponsorship Manager and other staff, as well as information for potential sponsors about partnerships with the City.

Who can use this policy?

Any employee of the City or potential sponsor can use this policy for reference or to identify projects which could benefit from sponsorship. Ideas for possible sponsorship opportunities should be discussed with the Sponsorship Manager on 9265 9407. For reasons of consistency and probity, responsibility for undertaking negotiations for all sponsorships rests with the Sponsorship Manager.

How to use this policy

- A. If you are an organisation that wants to enter into a sponsorship arrangement with the City:
 - 1. Read sections 2 and 3: Key considerations and The Purpose of Sponsorship in the City of Sydney.
 - 2. If you fulfil the criteria outlined in section 2, read Section 5: Attracting Sponsors and Sections 8 -11.
 - 3. Contact the Sponsorship Manager on 9265 9407.

- B. If you are a member of staff and wish to propose an idea for sponsorship:
 - 1. Read Section 2: Key considerations.
 - 2. Discuss your proposal with the Sponsorship Manager.
 - 3. Read sections 3 and 4: The Purpose of Sponsorship and Developing a Sponsorship Proposal.
 - 4. If the proposal is approved by the CEO to go ahead, read sections 5 and 6: Attracting Sponsors and Pitching and Negotiating the Sponsorship with the Sponsorship Manager.
 - 5. If the negotiations are successful, read and implement sections 7 - 11 under the guidance of the Sponsorship Manager.

A flowchart of the process is provided at the end of this Policy.

1. Definitions

Benefits for sponsors	<p>The primary benefit for sponsors is a competitively-priced medium to reach a target audience.</p> <p>Benefits include, but are not limited to branding, hospitality, and advertising.</p> <p>Benefits are determined by collaboration and agreement between the City and the sponsor, and are restricted by Government guidelines and this policy. For example, the City does not endorse commercial products or services.</p>
Benefits for the City	<p>Through sponsorship, the City can gain resources to enhance, or to offset the cost of, producing and promoting City events, programs and services.</p>
Project	<p>Refers to the activity (eg. event, program or service) for which sponsorship is being sought.</p>
Resources	<p>Resources raised by sponsorships, can be in the form of cash, goods or services.</p>
	<p><i>Cash</i> Cheque provided to the City by a sponsor to be used to offset the cost or enhance the potential of a specific City project.</p>
	<p><i>Value in kind</i> Goods such as equipment, or services such as advertising or printing, given to the City to enable a specific event, program or service to be produced and/or delivered.</p>
Sponsor	<p>For the purpose of this Policy, a sponsor is any organisation or individual providing resources to the City, for use in achieving City objectives, in return for specific benefits.</p> <p>A sponsor is not an organisation or individual providing a 'gift' with no benefits in return.</p>
Grants	<p>The City complements its events, programs and services by funding community based organisations to provide events programs and services within the City boundaries.</p> <p>Grants and sponsorships provided by the City to support these services are not considered sponsorship under the terms of this Policy. They are covered by the City's Grants and Sponsorships Policy 2005.</p>

2. Key Considerations

The City's reputation is an important asset. In addition, the City has public responsibilities and accountabilities, and must operate within its own legislation, policies and guidelines.

To minimise possibilities where conflict of interest may occur, and to ensure sponsorship activities fulfil the City's public responsibilities and operate within its own legislation, policies and guidelines, this policy clearly outlines what sponsorships the City will not undertake (see Section 2.4).

All sponsorships, noting the name of the sponsor, and the event sponsored, will be listed in the City's Annual Report. The value of the sponsorship will not be published.

Officers involved in sponsorship activity should be conscious of their primary responsibility for probity. The City's *Code of Conduct* is a useful reference for maintaining professional, ethical behaviour at all times.

The risks associated with sponsorship can be higher than those associated with normal City activities. The major risks include:

- perceptions of improper conduct;
- the potential to embarrass the City through associating a City project with an inappropriate sponsor;
- undertaking an activity on the basis of the promise of corporate sponsorship which then does not materialise;
- breaching the City's accounting requirements;
- undervaluing or overvaluing sponsorship projects to potential sponsors;
- not being cost effective; and
- being incapable of surviving critical public scrutiny.

2.1 Conflict of interest

Any sponsorship the City undertakes must not compromise the City's reputation, public image, probity, or its ability to fulfil its functions.

Whilst the City does not provide sponsors with commercial endorsements, sponsors may gain credibility from association with the City. However, the City may lose credibility by associating itself with businesses which do not fulfil their responsibilities under fair trading laws, who are of poor repute or conflict with the City's priority programs and commitments.

Protecting the City's reputation and its compliance role will be expressed as a term or terms in the agreement. The terms to be included depend on the nature and scope of the sponsorship. For example, the City can include terms to ensure that:

- its logo is not used without its specific permission;
- the sponsorship deal is not regarded as a general endorsement by the City of the business activity of the other party;
- the sponsorship deal will not fetter the City's ability to undertake its regulatory and compliance roles;
- the City continues to own the intellectual property developed; and
- City information obtained by the other party in the course of the sponsorship is kept confidential.

Where the Sponsor proposes to deal with the City in any other capacity, the Chief Executive Officer will implement appropriate measures to deal with any actual or potential conflict, consistent with ICAC Guidelines, and after consulting with the City's internal auditor and/or Audit Committee, as appropriate.

2.2 Public Responsibilities

Any sponsorship undertaken should not replace a service required by law nor inhibit the City's ability to ensure that:

- events, programs and services are accessible and appropriate to all groups in the community; and
- all relevant program objectives, outcomes and outputs are consistent with the City's Corporate and Strategic Plans.

The City is accountable to the public. Any sponsorship it undertakes must be one which the City would be proud to see on the front page of a newspaper.

The City works in a regulatory capacity. Any sponsorship it undertakes cannot influence decisions or action by the City. Therefore, the City will not accept sponsorship of services such as licences, development applications, compliance and legal dispute resolutions.

2.3 Government guidelines

Any sponsorship undertaken must fall within Government sector-wide guidelines. Two key Guidelines, which apply directly to this policy, are the City's *Code of Conduct* and ICAC's Revised Sponsorship Principles.

2.4 Sponsorships not permitted under this Policy

Given the above considerations, the City will NOT undertake sponsorships of the following types.

2.4.1 Policies and principles

1. require or imply the City's endorsement of commercial products, services, companies or individuals;
2. limit the City's ability to carry out its function fully and impartially;
3. restrict access to City's events, products and services by the widest audience possible;
4. are not consistent with the City's social justice principles of equity, access, participation, rights and accessibility for all groups in the community;
5. cannot be accountable to the public;
6. personally benefit individual City employees, or their friends/family;
7. allow ownership and control of the sponsored project to go outside the City;
8. give a sponsor influence over the City and access to restricted information;
9. pose a conflict with the broader policies and practices of the City;
10. pose a conflict between the objectives and mission of the City and those of the sponsor;
11. imply City endorsement of contentious community issues ;
12. involve provision to the public of a sponsor's product or service where that product or service has not been evaluated for its fitness for purpose against the objective operational criteria relevant to the City's needs;
13. have not gone through the processes set out in this Policy;
14. require the City to commit to delivering a product or service which it does not have the means, infrastructure or resources to do so; or
15. have not been approved by the Chief Executive Officer.

2.4.2 Sponsor Types

1. involve sponsors that are in the business of pornography or tobacco; or
2. involve sponsors in political fields (eg political parties)

2.4.3 Cost Issues

1. generate surplus capital which cannot be used to offset costs of, or enhance a City project (ie. not a genuine sponsorship);
2. places a price on the City's sponsorship package that is not fair in comparison to marketplace prices;
3. require research to establish the viability of undertaking a sponsorship, where that research exceeds the value of the sponsorship itself;
4. place a price on a sponsorship package which is so low as to undermine the perceived quality of that package; or
5. place a price on a sponsorship package which does not represent value-for-money for the sponsor.

2.4.4 Objectives

1. do not have clearly-defined objectives which allow the sponsor and the City to evaluate the outcome and results;
2. do not support the overall objectives of the City; or
3. do not have a written letter of agreement and/or contract between the City and the sponsor.

3. The Purpose of Sponsorship in the City of Sydney

There are many instances when the City may want, or need, to seek a sponsorship. For example:

- City community will benefit from the partnership established;
- budget restrictions do not allow for any improvements to be made to an existing event, program or service, required under the City's Corporate Plan;
- budget restrictions do not allow the City to meet a need for a new event, program or service as established by the City's Corporate Plan;
- current supply of a necessary program or service is no longer economically viable;
- a business has approached the City with an offer of sponsorship; or
- a prospective sponsor has a high reputation for providing and proposed service or goods

Whatever the circumstances, a sponsorship may be able to assist the City to achieve its goals.

A sponsorship, by definition, must provide both the sponsor and the City with clear benefits.

4. Developing a Sponsorship Proposal

4.1 For cash sponsorships

City staff will:

1. Determine the event, program or service available for sponsorship.
2. Determine the element of the event, program or service to which the sponsorship cash will be applied.
3. Determine the total amount of sponsorship required by the event, program or service.
4. Establish a value that you expect a sponsor to pay for the sponsorship (major, supporter, etc) and the basis for the valuation.
5. Establish a range of benefits for that level of sponsorship.
6. Establish a value for those benefits.
7. Establish a range of organizations to approach for sponsorship through research into the alignment of their objectives, and those of the project and the City.

8. Develop a pitch aligned to each organization, including targeted benefits which address each organization's specific objectives.
9. Ensure a balance between the value of the sponsorship pitch and the sponsor benefits.
10. Identify any potential, real or perceived conflicts of interest (see clause 2.1).
11. Identify any other risks including OH&S risk, public risk, political risk and risk to the City's and sponsor's reputation.
12. Develop a draft sponsorship contract, based on the corporate sponsorship template approved by the City's legal unit (see clause 7).
13. Seek the CEO's approval to go ahead with the sponsorship negotiation.

The CEO will address any potential real or perceived conflict of interest, advise on how it should be treated, or decline to continue with the sponsorship approach.

4.2 For Value in Kind sponsorships

City staff will:

1. Determine the event, program or service available for sponsorship.
2. Determine the goods or service required to undertake the event program or service.
3. Determine the fit-for-purpose nature of the goods or service, eg:
 - for media sponsorships, determine the market you want to target with media, and establish which media outlets provides the best fit for that market, through frequency of publishing, coverage, audience demographic etc;
 - for beverages, determine through the nature of the event whether the beverages can be alcoholic (ie not for minors);
 - for production equipment, develop a brief on the nature and amount of equipment (lighting, audio, audiovisual, computing, staging etc) that is required by the event.
4. Establish the amount of goods or services that you require to undertake the event.
5. Establish a value for the goods or services at a commercial rate. This should be the value of the sponsorship sought.
6. Determine a range of benefits for that level of sponsorship (in line with the cash sponsorships).
7. Establish a value for those benefits.
8. Establish a range of organizations to approach for sponsorship through research into the alignment of their objectives, and those of the project.
9. Develop a pitch aligned to each organization, including targeted benefits which address each organization's specific objectives.
10. Ensure a balance between the value of the sponsorship pitch and the sponsor benefits.
11. Identify any potential real or perceived conflicts of interest (see clause 2.1).
12. Identify any other risks including OH&S risk, public risk, political risk and risk to the City's and Sponsor's reputation.
13. Develop a draft sponsorship contract, based on the corporate sponsorship template approved by the City's legal unit (see clause 7).
14. Seek the CEO's approval to go ahead with the sponsorship negotiation.

The CEO will address any potential real or perceived conflict of interest, advise on how it should be treated, or decline to continue with the sponsorship approach.

5. Attracting Sponsors

In order to maintain a fair playing field, ICAC recommends that Government agencies seeking sponsorship should publicly call for Expressions of Interest to allow all potential sponsors equal opportunities for involvement in the project.

However, research has shown that this is not the most effective method of attracting sponsors, particularly on a per-project basis

ICAC does recognise instances where it is more feasible to approach individual sponsors directly. This is also more effective in terms of cost and time, as it allows the City to identify those sponsors that will meet its criteria (Sections 2.4 and 3) and who will most benefit by the audience being reached by the project.

In those instances where it is more feasible to approach individual sponsors directly, the City will employ both methods to allow for both a fair playing field and the identification of most appropriate sponsors.

Attracting sponsors is a two stage process:

1. Attracting interest from potential sponsors; and
2. Pitching a sponsorship to individual organisations, in view of their specific corporate objectives.

5.1 Expressions of interest

The City will post an Expressions of Interest advertisement at least annually.

The advertisement will briefly outline major projects which may be open for sponsorship during the next year, and refer to other smaller projects, and ask for any expressions of interest to be sent to the Sponsorship Manager. A Sponsorship Offer will be prepared on an annual basis, and on a per-project basis, and provided to organisations who express interest.

If the City receives responses, these will be assessed using the same process as outlined in this Policy. The City will also directly approach potential sponsors and pitch to their corporate objectives in accordance with the terms of this Policy.

The City will ensure that information provided about sponsorships is consistent for all organisations with the aim that there is no advantage or disadvantage to one organisation over another as a result of information provided about potential sponsorships. This does not require the City to provide commercial-in-confidence information provided by any organisation to another organisation.

5.2 Unsolicited offers

The City may be approached directly by an organisation with an unsolicited sponsorship offer. Generally there is a commercial advantage to the organisation proposing the sponsorship. Careful consideration should be given to the acceptance of this offer. The City may obtain better value for money by accepting the sponsorship than by calling for expressions of interest. The sponsorship offer should be evaluated in accordance with this Policy.

Where an unsolicited offer of sponsorship is received and there is a desire to test the market for further interest, it is important to protect the commercially valuable ideas and strategies of the organisation or the individual that proposed the original offer.

5.3 Exceptional circumstances

There may be occasions when it is considered necessary or desirable to accept an unsolicited offer or to renew an existing sponsorship agreement without first testing the market for alternative offers. Such instances could include:

- Sole/limited supplier situations;
- Where a considered assessment establishes that the calling or expressions of interest or tenders will threaten the viability of the first offer and/or lead to a lesser end result;

- Where there is reason to believe that no other competitor could provide a better offer; or
- When deadlines prohibit the calling of expressions of interest or tenders.

In this case, the sponsorship offer/renewal should be evaluated in accordance with this Policy.

5.4 Selecting sponsors

The City should always select the sponsor that offers the most towards achieving the project's and the City's goals, and will clearly benefit from sponsoring the activity.

Sponsors can be declined if they do not meet the City's criteria for sponsorship (see Section 2.4).

If the City receives expressions of interests from more sponsors than the project requires or can support, it should seek other opportunities for them where possible.

For example, the City might be able to offer them a smaller sponsorship package within the same project creating a tiered sponsorship with major and secondary sponsors or sponsorship of another project in progress.

In each case, the City must be able to clearly demonstrate and record reasons for selecting and not selecting sponsors.

6. Pitching and Negotiating the Sponsorship

The City will:

1. Pitch to the sponsor through the most appropriate process: directly, through an advertising agency, through a manager of the organisation's sponsorship funds, etc.
2. Where appropriate, seek the support of the CEO and the Lord Mayor in the sponsorship pitch.
3. If an organization expresses interest in the sponsorship, negotiate a sponsorship arrangement based around the original pitch.
4. Where the sponsorship involves a change to the cash amount sought, negotiate the benefits accordingly.
5. Once a sponsorship deal has been reached, seek the approval of the relevant manager, CEO or Council.
6. Finalise the sponsorship with the execution of a sponsorship contract (see section 8).

7. Approval Process

Sponsorship agreements to a total value in excess of \$150,000, whether a single year or multi-year sponsorship agreement, will be put to Council for approval.

Sponsorship agreements up to a total value of \$150,000, whether a single year or multi-year sponsorship agreement, will be put to the CEO for approval.

Sponsorship agreements up to a total value of \$20,000, whether a single year or multi-year sponsorship agreement, will be put to the relevant Unit Manager for approval.

8. Contracting the Sponsorship

Once the proposed sponsorship has been approved, it must be contracted.

Any agreement between the City and a sponsor must be put in writing outlining all the rights and responsibilities of both parties, in addition to establishing clear objectives. Agreements must be signed by the City's Attorney.

There are two standard templates that apply to sponsorships:

- a letter of agreement for contracts up to a value of \$20,000 plus GST;
- a contract for contracts valued at over \$20,000 plus GST.

Not all agreements need to originate with the City. Where the sponsorship approach is from the City, there is likely to be an expectation by the other parties that the City drafts the agreement. Where another party submits an unsolicited proposal to the City it is likely that the sponsor may draft the agreement. **ALL** agreements, regardless of who drafts them, must be vetted by the Legal Unit before it is sent for signature.

All sponsors must provide a Certificate of Currency for Public Liability Insurance, which must be approved by the City's Risk Manager.

Sponsorship agreements will include:

1. the objectives of the parties;
2. the event, program or service to be sponsored;
3. the value of the sponsorship to be provided by the sponsor and a payment schedule;
4. the nature and value of the benefits to be provided by the City;
5. the right of the City not to be fettered in its regulatory and compliance role by the sponsoring organisation or the sponsorship;
6. cancellation and termination conditions; and
7. dispute resolution clause for contracts over \$20,000 (plus GST);
8. that the Sponsor advises the City of any change in circumstances relating to the Sponsor's reputation;
9. that the Sponsor advises the City of any association or parent company directly or indirectly involved in the sponsorship; and
10. that the Sponsor will disclose the existence of the sponsorship when dealing with the City in any other capacity (eg, the provision of goods and services, regulatory or compliance matters).

Contracts must be signed before the sponsorship is provided.

9. Accounting for Sponsorship

Cash sponsorships

- Cash sponsorships will be recorded as income for the relevant event, program or service.
- The cost of providing benefits will be recorded as a cost to the relevant event, program or service.

Value in Kind sponsorships

- VIK sponsorships will be recorded as income against an equal expenditure in the relevant project code.
- The cost of providing benefits will be recorded as a cost to the relevant event, program or service.

10. Managing the Sponsorship

The City will:

1. Ensure the contract is executed by both parties.
2. Provide the sponsor with a project management plan including an event timeline, with invitation, PR and print deadlines.
3. Determine with the sponsor an approval process for the use of logos and other printed materials.
4. Provide the sponsor with updates on the planning of the event.
5. Manage the hospitality requirements, including invitations, RSVPs, ticketing and catering.
6. Maintain good communication with the sponsor.
7. Ensure the exchange of GST invoices.

11. Evaluating and Reporting

Sponsorship activities should be evaluated regularly against measurements established in agreement with the sponsor. As any dealings with corporate sponsors need to be highly transparent and satisfy public accountability, reports must be clear and easily accessible.

11.1 Evaluation

Evaluation is used to gauge performance and provide information for reports, to both the City and the sponsors, on the success of the sponsorship activity.

Measurements for evaluation should be established in conjunction with the sponsor. Possible qualitative and quantitative measures could include:

- whether the letter of agreement or contract was fulfilled
- extent to which sponsor used benefits;
- qualitative assessment of the activity;
- whether the target audience was reached;
- whether the general community's awareness was raised;
- how much media coverage was generated; and
- cost/benefit analysis (actual versus budget).

In some instances, either the City or the sponsor will gain benefits from formal marketplace research to assess outcomes. Results of market research can be used to assist in acquiring sponsors in the future and encouraging existing sponsors to renew.

11.2 Reporting

11.2.1 Reporting to the City

All sponsorships will be provided for within the City's budgets for events, programs and services.

The total value of sponsorships for each event will be reported within the Quarterly Financial reports to Council. Individual sponsorship amounts will not be reported for commercial-in-confidence reasons unless the sponsors agree. Sponsorships will be included in the Annual Report.

11.2.2 Reporting to the sponsor

A report will be provided to each sponsor at the completion of the sponsorship activity, including an evaluation of the project as outlined in clause 12.1 above.

12. Sponsor Brokers

The City may invite Sponsor or Media Brokers to assist it in attracting, negotiating with and selecting sponsors and media partners.

Any arrangement will be undertaken under the terms of this Policy.

Any Sponsor or Media Broker must disclose any potential conflict of interest prior to entering into a contract with the City for their services.

**CITY OF SYDNEY CORPORATE SPONSORSHIP POLICY
PROCESS**



