



CAPE WINELANDS DISTRICT
MUNICIPALITY • MUNISIPALITEIT • UMASIPALA

SPONSORSHIP POLICY

FEBRUARY 2015

Approved by Council:

Implemented:

TABLE OF CONTENT

| | |
|---|----|
| 1. INTRODUCTION | 3 |
| 2. PURPOSE | 3 |
| 3. OBJECTIVES | 3 |
| 4. WHAT IS SPONSORSHIP?..... | 4 |
| 5. PRINCIPLES | 4 |
| 6. RISK ASSESSMENT | 5 |
| 7. GRANTING SPONSORSHIP..... | 6 |
| 8. UNSUITABLE ACTIVITIES FOR SPONSORSHIP..... | 6 |
| 9. ACCEPTABLE TYPES OF SPONSORSHIP..... | 7 |
| 10. AGREEMENTS..... | 7 |
| 11. APPROVAL OF AGREEMENT | 8 |
| 12. PUBLIC ACCOUNTABILITY/REPORTING | 8 |
| 13. ACCOUNTING RECOGNITION..... | 8 |
| 14. MARKETING AND MEDIA RELATIONS..... | 9 |
| 15. DISCLAIMER..... | 10 |
| 16. CONFLICT OF INTEREST | 10 |
| 17. DISCLAIMER..... | 10 |

1. INTRODUCTION

Sponsorship generally involves the payment of fees for the right to be associated with an activity. The municipality can use sponsorship in two ways:

1.1 Undertaking financial sponsorship

The municipality may pay a fee for the rights to a public association with an activity, item, person or property, in return for a set of benefits. A number of different types of sponsorship fall under this heading:

- event sponsorship; and
- media sponsorship (of TV/radio programming, cinema, digital or press content).

1.2 Seeking sponsorship

Alternatively, the municipality may act as a rights holder, seeking external financial support or the provision of services in lieu of payment in return for a set of benefits, for an activity, event or campaign that the municipality has created.

This policy document sets out the municipality's definition of "sponsorship" and the terms upon which the sponsorship may be both sought and accepted by the municipality.

2. PURPOSE

- 2.1 In order to enhance, vary or reduce the cost of current activities, the municipality may enter into a sponsorship agreement. This may involve either the municipality's granting sponsorship to a third party in the form of some benefit, or the municipality's receiving sponsorship in the form of some benefit from a third party, with the intention in all cases being to support the municipality's activities.
- 2.2 When granting sponsorship, the municipality must also consider the provisions relating to granting financial assistance contained in the relevant legislation.
- 2.3 Sponsorship can be advantageous for all parties, however the municipality must ensure all sponsorship agreements do not compromise or question the integrity of the Municipality's operations.

3. OBJECTIVES

- 3.1 Cape Winelands District Municipality Sponsorship Policy outlines the principles and procedures for acceptance and granting of sponsorship proposals. The Policy is concerned primarily with:
 - 3.1.1 assessing risk and managing potential conflicts of interest;
 - 3.1.2 public accountability and transparency of decision making; and

3.1.3 financial management and benefits.

4. WHAT IS SPONSORSHIP?

- 4.1 **“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 and a set of rights which are to the mutual satisfaction of both parties”. Sponsorship is not philanthropic and a sponsor will expect to receive a reciprocal benefit beyond a modest acknowledgement.
- 4.2 Sponsorship is a significant business activity and companies seek sponsorship opportunities for a variety of legitimate business reasons including:
- to raise the company’s image and public profile;
 - to improve public/community relations and instil goodwill;
 - to show creativity and public spirit;
 - to generate public exposure and media coverage; and
 - to differentiate the company from its competitors.
- 4.3 Association of a company’s name with the municipality’s events or activities can be particularly attractive in terms of the opportunities for media coverage and as a display of public spirit. In some cases sponsors’ motives or the benefits the sponsor anticipates may be less apparent. Careful consideration should always be given to understanding what a sponsor might gain from the arrangement.
- 4.4 The municipality encourages the involvement of the private and voluntary sectors in the sponsorship of the municipality’s activities wherever appropriate. Sponsorship can help reduce the cost of the municipality’s activities.
- 4.5 Sponsorship should not be confused with advertising which can be defined as “any paid form of non-personal presentation and promotion of ideas, goods or services by an identified organisation”.

5. PRINCIPLES

- 5.1 All sponsorship agreements will be in the form of a written agreement and comply with principles and procedures outlined in this policy.
- 5.2 Sponsorship agreements must include a statement that the municipality’s functions will continue to be carried out fully and impartially, notwithstanding the existence of a sponsorship arrangement.
- 5.3 There should be no real or apparent conflict between the objectives and mission of the municipality and those of the sponsor.

- 5.4 The agreement will include a statement to the effect that any attempted influence of the municipality's regulatory functions will result in an automatic review and/or termination of the sponsorship agreement.
- 5.5 Any consideration given to the establishment of sponsorship agreements shall have regard to the following principles:
 - 5.5.1 not perceived to influence or hinder how the municipality operates;
 - 5.5.2 do not impose or imply conditions that would limit or appear to limit the Municipality's ability to carry out its functions fully or impartially;
 - 5.5.3 the reputation and credibility of the municipality is not damaged by making agreements with unsuitable third parties;
 - 5.5.4 the form of sponsorship is consistent with the stated objectives of the municipality which includes the municipality's image;
 - 5.5.5 agreements can be terminated if conditions of this policy are not met;
 - 5.5.6 agreements are formed with regard to public accountability and transparency with clear statements of objectives and benefits achieved.

6. RISK ASSESSMENT

- 6.1 Each sponsorship proposal must be subject to a risk assessment. This includes assessing:
 - 6.1.1 ensuring that the sponsorship benefits for the third party do not outweigh the level of sponsorship;
 - 6.1.2 ensuring that the type or form of sponsorship is not inconsistent with the objectives or needs of the municipality;
 - 6.1.3 ensuring that any sponsorship proposal does not anticipate explicit endorsement of the sponsor or sponsor's products;
 - 6.1.4 ensuring no conflict of interest arises from the sponsorship;
 - 6.1.5 sponsorship that does not eventuate;
 - 6.1.6 the capacity of the municipality to provide adequate resources and facilities to meet the terms of the proposed agreement.
- 6.2 If the assessment concludes that the risks are unacceptably high or the municipality is receiving minimal value from the proposal, the municipality should discontinue consideration of the proposal at this stage.
- 6.3 Every sponsorship proposal will be assessed against the possibility of a conflict of interest and, in particular, may be refused or terminated in any case where during the life of the sponsorship the sponsor:
 - 6.3.1 has a current application or planning matter before the municipality, or the municipality is aware of the possibility of an application or matter coming before the municipality in the near future;
 - 6.3.2 is, or is likely to be, subject to regulation or inspection by the municipality which may impose or imply conditions; and where the sponsorship may limit the municipality's ability to carry out its functions fully and impartially.

- 6.4 In these circumstances, the reasons for accepting sponsorship must be clearly recorded with the approval. 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.
- 6.5 It is expected that any individual or organisation with a sponsorship agreement with the municipality will disclose the agreement if there is a current development application or planning matter relating to them, or if the individual or organisation is subject to regulation or inspection by the municipality.

7. GRANTING SPONSORSHIP

- 7.1 The municipality can receive requests to 'sponsor' activities of an external party e.g. provide funding or resourcing of activities. In most cases, 'sponsorship' is actually a request for financial assistance or support. These requests must be assessed in accordance with this policy.

7.2 Advertising for Sponsorship

- 7.2.1 It is accepted that the public interest is best served by the municipality making sponsorship opportunities widely known through open tendering, although it is recognised that in certain circumstances this may prove impractical and requests for sponsorship may only be available by invitation.
- 7.2.2 Reference is to be made to the municipality's Supply Chain Management Policy (SCM) when the monetary value of the sponsorship to be raised, require the following of a formal bidding process. If the value of the sponsorship agreement is below the SCM threshold, then in exceptional circumstances, the Municipal Manager (or a delegate) responsible for the procurement, may determine that a reduced number of quotations or tenders (including a single tender) or an unsolicited bid may be sought.
- 7.2.3 Any decision to accept a reduced number of quotations, tenders or an unsolicited bid, must be recorded in writing and such decision must be demonstrably in the best interests of the municipality.

8. UNSUITABLE ACTIVITIES FOR SPONSORSHIP

- 8.1 Without any limitation on the municipality's ability to exercise its discretion, the municipality does not consider the following companies, partnerships, organisations or individuals as suitable for entering into sponsorship agreements with:
- 8.1.1 Those involved in the manufacture, distribution and wholesaling of tobacco related products, pornography and addictive drugs;

- 8.1.2 Those found guilty of illegal or improper conduct by any other legal authority;
- 8.1.3 Those which are involved in political fields [e.g. political parties]; and
- 8.1.4 Those whose services or products are considered to be injurious to health, or are seen to be in conflict with the municipality's policies and responsibilities to the community.

9. ACCEPTABLE TYPES OF SPONSORSHIP

- 9.1 The municipality can recognise its sponsors in a numbers of ways. The extent of such recognition is to be determined in relation to the level and nature of the sponsorship; and is subject to a written agreement specifying the benefits and costs.
- 9.2 Sponsorship recognition should be discrete and must not create situations of potential embarrassment or criticism of the municipality. Such forms of recognition can include, but are not limited to:
 - 9.2.1 media release acknowledging the role and contribution of the sponsor;
 - 9.2.2 invitations to selected functions of the municipality, which may include hospitality, preferential seating, award presentation;
 - 9.2.3 an opportunity for the sponsor to finance or partly finance projects as dictated in the IDP;
 - 9.2.4 appropriate signage;
 - 9.2.5 inclusion of sponsor's name and logo on the municipality's publications and other external publications;
 - 9.2.6 naming rights for an event, building etc. for the term of the sponsorship;
 - 9.2.7 an award or trophy struck in the sponsor's name and publicly presented;
 - 9.2.8 merchandising of goods at selected points of sale; and
 - 9.2.9 displays in the municipality's buildings/facilities subject to approval in each individual case, in static displays or for an activity of the sponsor when not required for the municipality's use.

10. AGREEMENTS

- 10.1 The municipality's approved form of Sponsorship Agreement shall be used in all circumstances wherever possible. However it is acknowledged that there may be circumstances in which the sponsor may require its own form of agreement to be used. Notwithstanding this, every sponsorship agreement will require a written agreement incorporating conditions of contract which clearly set out:
 - 10.2.1 the benefits, including economic benefits available to the municipality and the sponsor and the nature of the benefits;
 - 10.2.2 the form or forms of sponsorship acknowledgment which will be available;
 - 10.2.3 the scope of uses which the sponsor can make of the sponsorship arrangement;

- 10.2.4 the term of the sponsorship and any conditions regarding renewal;
 - 10.2.5 consequences of change which may occur over time e.g. a shift in the relationship, new policies, new corporate missions or objectives;
 - 10.2.6 financial accountability requirements;
 - 10.2.7 an indemnity by the sponsor against all liability for personal injury and for loss or damage costs, claims and expenses however caused or incurred as a result of any act of negligence by the sponsor; and
 - 10.2.8 provision for termination or suspension of the agreement.
- 10.3 The agreement must include a statement that the municipality's functions will continue to be carried out fully and impartially, notwithstanding the existence of a sponsorship arrangement.
- 10.4 The agreement must include a statement to the effect that any attempted influence of the municipality's regulatory functions will result in an automatic review and/or termination of the sponsorship agreement.

11. APPROVAL OF AGREEMENT

- 12.1 All sponsorship bids shall be approved in terms of the Supply Chain Management procedures and prescriptions.
- 12.2 Sponsorship Agreements must be referred to Legal Services for review prior to signing.
- 12.3 All potential sponsors are referred to this policy.

12. PUBLIC ACCOUNTABILITY/REPORTING

- 12.1 The municipality's is committed to principles of open government and of public accountability, transparency and accessibility. To meet these objectives, the Municipality agrees that:
 - 12.1.1 Sponsorship Agreements must be in the form of written agreement;
 - 12.1.2 The municipality's Sponsorship Policy is publicly available.
- 12.2 The municipality shall promptly disclose to National and Provincial Treasury of any sponsorships promised, offered or granted to the Municipality as prescribed in terms of section 48 of the Municipal Supply Chain Management Regulations.

13. ACCOUNTING RECOGNITION

- 13.1 Sponsorships meet the definition of GRAP 23 – revenue of Non-exchange Transaction and financial accounting entries must be treated as public contributions as set out in the municipality's accounting policy.

13.2 Financial entries will be as follow;

a) Sponsorships with conditions

On initial recognition (Dt) Bank, and (Ct) Unspent Public Contributions

Expenditure after recognition (Ct) Bank , and (Dt) Expenditure vote

As the Municipality satisfies the conditions as it incurs the authorised expenditure, it reduces the liability and recognises revenue in the statement of financial performance in the reporting period during which the liability is discharged with the amount of the expenditure by (Dt) Unspent Public Contributions and (Ct) Public contributions (non - exchange revenue)

b) Unconditional Sponsorships

(Dt) Bank, and (Ct) Public contributions (non- exchange revenue)

c) Goods-in Kind Sponsorship

Goods in-kind are recognised as assets when the goods are received or there is a binding agreement to receive the goods. If the goods in-kind have conditions attached to it, a liability will be recognised to the extent that the conditions have not been met, and will be reduced as the conditions are satisfied with a corresponding increase in revenue.

At initial recognition, the sponsorship is measured at their fair value. Due to the nature of these transactions, the fair values might not be readily available and consequently it may be obtained with reference to market prices or appraisals by a member of the valuation profession that holds a recognised and relevant professional qualification.

14. **MARKETING AND MEDIA RELATIONS**

14.1 The municipality's Communications team must be notified from the outset of all sponsorship agreements to be entered into by the municipality.

14.2 Media relations for all sponsorship agreements are undertaken by the municipality's Communications team, unless otherwise agreed.

14.3 All media information produced by the sponsor must be approved by the municipality's Communications team before circulation.

14.4 The use of sponsors' logos and other branding must not interfere or conflict with the Municipality's own corporate identity.

14.5 The use of the Municipality's corporate identity on any sponsors' publicity must be approved by the municipality's Communications team.

15. DISLCLAIMER

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

16. CONFLICT OF INTEREST

Municipal employees and councillors 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.

17. DISLCLAIMER

This policy is subject to continuous review and will be reviewed on an annual basis.