



PCRS-UK Policy on Funding Agreements With Commercial Companies

Introduction

Relationships between a charity /professional society such as the PCRS-UK and commercial companies can be highly beneficial to both organizations. Indeed, the PCRS-UK is reliant for the majority of its income on funding from commercial companies primarily pharmaceutical companies through its Corporate Supporter Scheme and other project funding. The PCRS-UK recognises that it stands to gain considerable rewards not only in the form of funding for its activities, but potentially also through raised awareness leading to a growth in membership, support and influence as well as other benefits in kind that may be provided by the commercial partner as part of an agreement.

This document sets PCRS-UK's policies on securing funding from commercial companies and for dealing with requests from companies for joint activities. It is intended to guide decision making in the PCRS-UK in relation to agreements with commercial companies and also to provide guidance to those seeking to work with the PCRS-UK. The 'Corporate Supporter Scheme' document provides more information the different ways in which a company can work with and support the PCRS-UK.

Background

A charity's name is a valuable asset. Its value comes from the confidence that people have in the charity – confidence that is built on the reputation the charity has gained through its achievements and its status as a charity. Charity trustees have a duty to make the best use of their charity's assets – in practice this means putting assets to work to the best overall advantage of the charity, whilst safeguarding them against damage or loss of value.

The Charity Commission recognise that a legitimate way of taking advantage of the value in a charity's name is to allow it to be used by, or associated with, a commercial company or product in return for a specified financial or other benefit. Companies are often keen to form relationships with charities and such relationships provided they are set up and managed appropriately can be highly beneficial to both parties. The Charity Commission urges charities to in negotiate the best possible return for their part in them.

Raising funds from the value in a charity's name is also recognised to carry *risks*. These arise if a charity's own reputation is put in the hands of another body whose interests are fundamentally different from the charity's, and whose activities are outside the charity's control. If a company with which a charity has an association begins to attract, for whatever reason, criticism or disapproval this can rub off on the charity and damage it in the eyes of supporters and the public (or in the case of the PCRS-UK health professionals) more generally. Another risk is that current and potential supporters might be put off by what they see as loss of independence of the charity or the "commercialisation" of the charity – particularly if the benefits to the charity from joint ventures with companies are not spelled out clearly.

It is therefore important that charities have an internal policy for dealing with proposals relating to agreements with commercial companies.

Policy on Funding Agreements With Commercial Companies

Funding agreements with commercial companies can take a number of forms, which are described in detail in the sections below along with PCRS-UK's policy in each area

- Restricted or unrestricted donation
- Sponsorship agreement to support one or more of PCRS-UK activities
- Joint working agreements, involving fees for service and use of PCRS-UK name
- Commercial participation agreements

Donations

If a company (or anyone else) decides to give an unrestricted donation to the PCRS-UK, the PCRS-UK can use the money in any way it sees fit towards achieving its charitable objects. In the case of a restricted donation the PCRS-UK can only use the money for the purposes specified by the donor.

In either case the charity does not provide anything back to the donor in return. An acknowledgment may be given in the interest of transparency.

PCRS-UK Policy

As a charity, the PCRS-UK has to accept any unrestricted donations it is offered unless it believes accepting the donation would bring the charity into disrepute. Donations from tobacco companies for example would not be accepted.

The PCRS-UK is under no obligation to accept a restricted donation if it feels the restrictions are incompatible with its charitable objects or would adversely distort the balance of the charity's activities.

Income received as (un)restricted donations is classified in accounting terms as voluntary income. Companies may give donations under corporate gift aid which means that they are deductible for tax purposes.

Sponsorship Agreements

In a sponsorship agreement, the company agrees to meet some or all of the costs of one of the charity's activities or projects. In return the charity will publicize the company and the fact that it has contributed to the charity, through acknowledgements which may include use of the company's logo. Sponsorship agreements thus help to raise the profile of the company as a socially responsible organization and in the case of pharmaceutical companies supporting the PCRS-UK more specifically as contributing to education, professional development and improved respiratory healthcare. The underlying aim for the company is still of course to improve its financial support for its shareholders.

In a sponsorship agreement, the charity also often offers other benefits and services in return for the sponsorship such as advertising opportunities, delegate places, copies of the publication.

Income received through sponsorship agreements is classified in accounting terms as primary purpose trading, otherwise referred to as incoming resources from charitable activities. i.e. it is a payment for goods or services provided by the charity from the commercial company in support of a project or activity that is undertaken primarily in support of the charity's objects (as opposed to raising money).

Sponsorship agreements are used to support many of the PCRS-UK's activities, including for example :

- Primary Care Conference
- Opinion sheets and other publications
- Respiratory leaders programme
- Nurse development programme

Corporate Supporter Scheme membership is also primarily a sponsorship agreement but for accounting purposes, based on advice from the PCRS-UK auditors is classified as voluntary income.

PCRS-UK policy:

- The PCRS-UK can choose for which activities it seeks sponsorship and what form that sponsorship will take.
- The PCRS-UK prefers in general to have multi-company funding for its projects. PCRS-UK will accept sole company sponsorship of a project provided it believes its independence (perceived or otherwise) will not be compromised. Sole company sponsorship would be accepted for example for indirect activities such as nurse or respiratory leader development activities where there is no particular bias in terms of anyone company over another. It is unlikely that sole company sponsorship would be accepted for activities such as an annual conference.
- The PCRS-UK will ensure in all relevant materials, there is transparency about when an activity is sponsored and by whom
- The PCRS-UK retains intellectual property and editorial control of all sponsored activities
- The PCRS-UK has final approval on all materials used to promote any sponsored activity and in all instances in which the PCRS-UK name or logo is used in connection with the activity.
- The agreement must comply with all PCRS-UK criteria for participation in agreements with commercial companies (see below).

Joint working agreements

In this type of agreement charity and company have shared or overlapping goals and objectives. The company benefits from the image and reputation of the charity in the marketing of its product, programme or service. The charity benefits from progress towards its charitable aims and objectives and from the raised awareness of itself and its work.

The charity provides expertise and advice to the company and associates its name with product, programme or service. As part of the agreement the charity typically charges a fee for its services and a license fee for the use of its name. As part of the agreement the charity might also receive specified benefits in kind – goods, services, facilities or expertise provided to it by the company.

The income from joint working agreements is likely to be classified as primary purpose trading as the activity is likely to be in support of the charity's objects.

PCRS-UK Policy

The PCRS-UK is keen to enter into joint working agreements provided:

- The venture or activities concerned meet the criteria for PCRS-UK endorsement (see endorsement policy)
- The venture fits with the charity's policies, strategies and values and must serve the charity's best interests overall, taking account of the long term consequences as well as any immediate gains
- The company is seen as a suitable partner bearing in mind what the charity knows of the company's products, activities, public image, and financial position.
- PCRS-UK is confident that the company will be able to discharge its financial and other obligations under the proposed agreement.
- The benefits that will be received and the risks and costs associated with the agreement have been identified and assessed. The cost benefit must be reviewed regularly and if the balance turns against the charity, the PCRS-UK must have the ability to withdraw from the venture.
- Consideration is given to how the charity's decision to associate itself with that company in that venture will be seen by members and other health professionals, funders, supporters and other stakeholders and what the charity will do to anticipate and answer any complaints or criticisms that could be made of the venture
- The terms of the venture are set out in a written agreement and take account of relevant legislation. The agreement must clarify ownership of copyright and intellectual property.
- The PCRS-UK retains complete control over the way its name, logo etc is used by any other party in advertising and promotions. Use of the PCRS-UK name or logo without prior consent is prohibited
- The venture is presented in a transparent way to members and others in all relevant materials

Commercial Participation Agreements

Under this type of agreement the charity typically gives the company a license to use the charity's name and or/logo in selling a product or service. The company typically promotes sales of the product with a promise to the consumer that the charity will benefit financially from the sales of that product. A wide range of consumer products, the best-known being Christmas cards, is commonly marketed under this type of agreement.

The charity typically takes no active part in the product marketing and typically is not endorsing the particular company or product – it is simply selling to the company, in return for payments, a limited right to the use of the charity name.

The income from licensing agreements in accounting terms would usually be classified as non primary purpose trading or income from fundraising activities i.e it is payment by the company for the use of the charity's name or logo where the purpose of the activity is fundraising from the charity's perspective.

The PCRS-UK is occasionally invited to consider participating in such licensing agreements and therefore it is important to have policy on such agreements.

PCRS-UK Policy

- Licensing agreements potentially act as an inducement to support a purchase or prescribe a particular product or a particular company' products. The PCRS-UK must therefore carefully consider the impact a licensing agreement could have on its independence (perceived or otherwise)and its relations with other funders.
- The PCRS-UK will not consider licensing agreements related to any product where clinical judgment is required and where there is a difference in impact on respiratory care in for example in different patient groups of choosing one product as opposed to any other in the same category. The PCRS-UK will therefore under no circumstances consider licensing agreements in relation to branded pharmaceutical products
- The PCRS-UK will consider licensing agreements where there is no material difference in terms impact of respiratory health of choosing anyone product over an another. This may for example include education products or services e.g respiratory magazine, conference and Non medical products sold to primary care practices
- The licensing agreement may grant either the company the right to promote their support of the PCRS-UK (this is a benefit of the Corporate Supporter Scheme and hence is only likely to be of interest to non Corporate Supporter Scheme members) or the right to promote that the PCRS-UK benefits from the sales of that product or service as appropriate.
- Any such promotion must make it clear that the PCRS-UK is not endorsing that particular company or product as any better than any other.
- Any promotion where the PCRS-UK benefits from the sales of that product or service must make it explicit how much the PCRS-UK receives from each purchase.
- The agreement must comply with all PCRS-UK criteria for participation in agreements with commercial companies

Additional Criteria for PCRS-UK Participation in Agreements with Commercial Companies

In addition to the specific criteria set out in the sections above, the PCRS-UK follows the following policy in any relationship with a commercial company

- The tax implications of any agreement must be clarified with professional advice sought as appropriate
- All agreements must conform with current charity regulations and legislation
- The PCRS-UK will not accept any form of funding from organizations whose products detract from improvement in health and in particular in respiratory health. Examples include, but are not limited to, the tobacco industry.

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