

Portsmouth Students' Union Trading (PSUT) Limited
Board of Directors
MINUTES
5.00pm 22nd March 2016
Room 1, The Union Building

Present:

Nick Johnson (NJ - Chair), Elisa Kanagarajah (EK), Rhian Johns (RJ), Tom Worman (TW), Carla Watton (CW)

In Attendance:

Anna Clodfelter (AC), Lucy Simpson - Minutes

1. Apologies for Absence

Apologies received from Ian Watson

2. Declaration of Interests

EK declared an interest In Agenda Item 5.2.

3. Minutes of Previous Meeting

Minutes from 12/01/16 agreed.

4. Matters Arising and Action Points From Those Minutes

4.1 Draft TOR for BoD – AC/TW **to follow from the Business Review**

4.2 Identify NUS Extra sales excluding University deal - TW **Included in trading report Agenda Item 5.1**

5. Business Matters

5.1 Trading Report - for note and agreement - TW

Report taken as read.

EK – what is happening about money from tour tops as we are no longer affiliated with tour?

TW – it's not been included in the next budget.

RJ – what's happening with the Portsmouth Triathlon?

TW –we were approached by Portsmouth Triathlon to support their event as the council had withdrawn their support. Portsmouth Triathlon had predicted £15k income but looking at historic costs from the council, they came to £30k so it didn't stack up financially. We are still working with Portsmouth Triathlon to see what we can do.

EK – looking at the Housing Fayre and private landlords, is there a way we can have forum for the good landlords in a positive way?

TW – will be working with the new president on this as it is one of his manifesto points. Also looking to work with the University.

AC – it would be good to shout about the good landlords and show what makes a good landlord and therefore prove to other landlords that it is doable.

TW – we can look at the rankings of landlords and the top 10 and see what they are doing so well.

CW – the new halls will add pressure to landlords when demand becomes less.

RJ – are Popcorn Media happy with the advertising policy?

TW – yes as it's much clearer.

RJ – the mystery shopper is at risk because NUS have withdrawn the programme. Does that have to be an NUS thing or can we do it ourselves?

TW – we are now in discussions with Douglas Stafford and we now have a quote for right across the organisation. At the time of writing this was a risk but now just needs agreement from SMT on when we're going to do mystery shopping in the budget. They are based at Lakeside and do everyone from Ford to BMW and seem a really professional outfit with a lot of benchmarking and online stuff. That KPI will be carried through.

AC – is there a gap in the market there?

TW – yes, was talking to NJ about researching gaps in commercial markets.

AC – the University are also interested in mystery shoppers.

TW – what Douglas Stafford are doing is really good. It's all video based so you get real insight and as part of their package they do a training course with a proper screen led feedback session with everyone rather than just a report which is what NUS offer.

AC – just to comment about Campbells and the fact it was a commercial driver to get back on our books which has improved student housing. This is a real big win.

TW – and the annual survey supported the fact that they are no longer the worst letting agent in the city.

AC – it's really interesting that it was a commercial action and a commercial driver for that provider. They aren't bothered about being on the good landlords list, it was the fact they couldn't advertise or come to housing fayres and therefore couldn't get to students which was the driver for them to make improvements.

BOARD OF DIRECTORS NOTED THE TRADING REPORT

5.2 Purple Wednesday – verbal update – TW (moved to end of agenda)

Report taken as read - CONFIDENTIAL DISCUSSION TO BE CIRCULATED SEPARATELY

EK not present for discussion as conflict of interest.

BOARD OF DIRECTORS NOTED THE PURPLE WEDNESDAY UPDATE

6. Finance Matters

6.1 PSUT Management Accounts for note (discussed in full at F&R)

TW – half way through the year and we've done a lot of cost savings which has brought us back to about £2k off what we've been budgeted. The reality is if everything continues to perform as it appears to be then we should hit around budget. Looking to closing this year's advertising sales around 19th April (as a lot of targets have been hit) ready to kick in for next year.

BOARD OF DIRECTORS NOTED THE PSUT MANAGEMENT ACCOUNTS

6.2 Finance & Risk Sub-Committee minutes 230/02/16 for note and questions

TW – amendment to page 4 of minutes - £108k not £180k.

Action: LS to amend the F&R minutes (£180k to £108k)

BOARD OF DIRECTORS NOTED THE FINANCE & RISK SUB-COMMITTEE MINUTES

6.3 FACA Manager and Finance Coordinator to be set up with simple servicing authority in Barclays – for approval – CC/AC

AC – as noted in the F&R minutes that IL raised the CEO fraud issue so there is now a sign off process which is the same as our BACs sign off which reduces the risk. This approval has been signed off for the charity (subject to the above process which has now been implemented) so

this is just for signing off PSUT. This is so they can transfer money between accounts without AC/TW needing to authorise it, or stop cheques or payments.

RJ – so is this saying that both signatories can now be finance?

AC – no, they are not signatories, they are administrators. Currently they can't do anything on the account. It has to be a signatory who has to do everything. So they can't stop payments or do internal transfers. It's just the administration rights within the cluster of accounts not signatories. It's mainly stopping payments when no signatories are on site.

BOARD OF DIRECTORS APPROVED THE FACA MANAGER AND FINANCE COORDINATOR BEING SET UP WITH SIMPLE SERVICING AUTHORITY IN BARCLAYS

7. AOB

7.1 Business Review Update for discussion and agreement – TW

Report taken as read.

TW – much of this is in line with what AC presented earlier so the same time schedules. The idea is that the business development plan will kick in at the same time as the strategic plan. The plan between now and July is to do the scene setting with SWOT analysis etc. a lot of which is already done and some of it was presented to Board a few months ago. The key thing is the organisational readiness as AC highlighted earlier. Next year will be exploring new business cases and new ideas in line with the recommendations from John that we are very limited on our portfolio, which is mainly advertising and if this market dies then we are at complete risk. So we start to look at other business and other opportunities, setting that 3/5 year business plan alongside the model. So the first thing to agree is the time-frame. At the hot topics session back in August, a key thing spoken about was funding and from that came that we don't have a defined purpose for trading and that's quite difficult to work against when you're trying to set out business plans. As far as TW understands the trading company is here to make profits from services that maximise income for the charity. In line with that we need some principles which came out of the business review session:

1. The charity and trading arm share values rather than missions and campaigns.
2. The trading activities are not restricted to the student market - so we can explore other areas (commercial research programmes, learning and teaching options, advertising/marketing agencies, mystery shopper etc.)
3. Subsidiary companies should represent a portfolios approach; spreading business risk.
4. Any business entity must deliver a minimum of 20% operating profit – if we're not delivering a profit then why are we doing it? The business consultant guidance said this tends to be somewhere between 10 and 30% and looking at all of our businesses, this 20% operating target is easily being achieved so it gives us a good baseline to work from.
5. The trading arm only does 'for profit' activities and does not discount based upon charitable mission or campaigns; the charity can subsidise any campaigns through the profit it receives – this is the more difficult one to understand because the idea is that the trading should not discount based upon charitable objectives as the trading objective is to make money. The charity can then choose to subsidise an activity out of the trading profit as you will always get the same amount of profit whatever happens for the charity but the trading arm shouldn't be subsidising it, it should be the charity which pumps that back in. The logistics of how this is done are for another discussion but the principle is what we're looking at here.

The only other comment around this section is around out-sourcing. Where we are talking about potential outsourcing, trading should be offered the opportunity first to run it as a business before it goes off anywhere else. Similarly if we identify anything in the charity that we think we could do better as a business e.g. a commercial finance department working with 10 different charities which would make it more cost effective for the charity, we could propose that to the charity. These are the principles which need approving. The future model reiterates what we were saying earlier. The illustration is very much heavily weighted towards trading, the idea is having trading subsidiaries held by a trading holding company (board of directors) but overseen by a students' union group. This group is what governs it on the values and makes sure we are in line with the shared values of the charity and the trading arm.

EK – looking at the future model and the perception of the union being too commercial - is this because students still see the Union as a bar so they see this as a commercial venture?

AC – that was something that was really interesting from the annual survey, the amount of students that think of us because of the bar. Had seen it before but not in that depth and particularly those students who are not engaged with the Union don't engage with the Union because they are not interested in the bar and think that is what we do. It is interesting and is something we need to think about.

EK – there's a big Union sign outside but the Waterhole sign is quite small and it's difficult to distinguish.

AC – and they wear Union tops.

TW – this is probably a discussion to be had by Operations Committee around the impact of the bar and how this crosses over, rather than the PSUT Board.

AC – we also do get a lot of positive feedback about the bar that isn't ours. The Estates masterplan may change things and the layout.

RJ – understands the point that a business makes profit but looking at the point about where the subsidy may come from - with a lot of Unions the charity subsidises the commercial operation more heavily than the commercial operations gives to the charity because what those Unions would be saying is, for example, having a sense of community on campus is really important therefore we want to provide food and drink at a reasonable price. Therefore we will subsidise food and drink on campus to make that sense of community available. This appears to be saying kind of the opposite of that? Would like to discuss this more if we are signing off these principles today.

TW – the trading is not here to engage students, it's here to make money and the charity is here to engage students. So the charity can use the trading profit to engage students.

RJ – understands this and if that's the principle then fine but thinks the bigger discussion is around the shared values and the vision of the charity as this becomes really critical. As a charity we need to be able to say how we are going to use this profit, are we going to heavily subsidise or are we going to just take money from the trading.

TW – if we have these principles then would like to explore this in the Trustee summer away day as it is absolutely key that we are very clear in the relationship which the charity has to what those values actually mean.

RJ – the other thing is about perception as we might have 'the charity' and 'the company' but students will only ever see UPSU so how do we run a really successful, profitable business on the one hand but have this charity with a really strong vision around representation on the other and make sure we don't have a clash (or perceived clash)?

TW – it's not even perceived, we do have clashes at the moment between trading and the charity.

RJ – it's always going to be easier to promote something that's commercial so it's going to be easier for us to promote the fact that we've got a café so students will see that connection between the Union and the café quite clearly. What might be harder is then to persuade students that we also do confidential free academic advice and do they want to get free academic advice from what they perceive to be a café company? This will be the challenge with the new vision.

TW – this will be branding.

AC – completely understands but we don't currently have these things in our portfolio (cafes/food being subsidised), so therefore they haven't been assessed by the charity against the criteria as something we might want to do, that we would then talk to the trading company about delivering. Then the conversation would happen about having to make a profit and how much money is the charity going to invest in that primary / secondary purpose activity with the business delivering which part of it. It would only be something the charity would do if it ticks the primary / secondary box on our new purpose. Then the charity would be doing it and would need to work with other people including the trading company (either as it is or a subsidiary company). The portfolio approach gives us the ability to build smaller social enterprise businesses under the umbrella of the hidden PSUT.

TW – that's why it's useful to have the principles set out so we can actually start asking what does fit under the charity as part of the review and if it's not charity does it need to go somewhere else. From an operational director position TW has been struggling with having no guidance to assess these things against. We may need to adjust some of these principles as we go.

RJ – looking at the second principle, do we mean that profit rather than the activity doesn't need to be restricted to the student market?

TW – generated profit, yes.

AC – if trading is there to generate profit for the charity then the decision is not whether it is student or community involvement, the decision is whether or not the activity is making enough money to bring money back into the charity to enable the charity to fund activities led by students/community.

TW – it doesn't need to link to students it just needs to make us money.

RJ – but does it?

AC – this is why we couldn't write the terms of reference as we don't have a decision as to what is the purpose of the trading arm.

RJ – understands this but there would have to be some fundamental changes on how we operate today as the same people are on both boards?

TW – that would have to be looked at and it would be a real separation of the trading from the charity and this is what this paper comes down to, the reality of putting a real line.

RJ – and this feels like such a fundamental change and it might be completely the right change to make but it's quite a big decision for today.

CW – in terms of the trading arm, believes it should do what brings in the most profit for the charity which allows us to do more things for the charity.

TW – from any pathway within our values?

CW – theoretically yes.

NJ – as there's no clear steer here, is this worth discussing this at the August away day?

RJ – what's the biggest risk?

TW – the biggest risk to not doing this is the limitations we are currently under and the conflicts that we have between the charity and the trading arm. The fact we can't look at any kind of expansion as we are so shackled as we have no clear direction.

AC – thinks the biggest risk to doing this is the perception and the commercial drive will drift and will only pay lip service to values. Which is why it's important to set those principles and values and those absolute deal-breaker things at the beginning and review them constantly. There are examples out there that use this model (NUS). It doesn't want to be shackled by the charity but at the same time protects the charity as it is still part of the group and yes it does have to be profitable but it has to be profitable in the right way.

TW – is looking from the trading view in progressing this to make money, rather than the charity view.

AC – agrees with TW that this is the correct thing to do but to answer RJs question, this is the biggest risk and to mitigate that believes what we are planning to do we actually need to do properly and tie up the governance and values and to be absolutely clear to the trading arm that these are the limitations.

RJ – how much money do we need in this new set up? If we don't need it why would we make lots of money? Is this decision slightly ahead of time unless we're saying that whatever we are doing in the future we will definitely need more money?

TW – agrees but needs a framework to work to start the phase 1 activities. Can't start the process and analysis without any principles or guidance so if we park the process the whole process will be parked. This will be a 6 month delay as this is the quieter time of year when resources are available to undertake phase 1. Happy to do this is that's the recommendation from Board but it will slow the process.

EK – likes the idea and even if we get additional University funding, doesn't believe this should stop us as this will give us the opportunity to expand. It's always better to have the option of funds outside the block grant to enable us to do other things. Likes the idea of expanding into areas which are not just student markets and reducing limitations.

TW – it's about options. We don't have to make loads of money but we will have the option to expand things if we want to in line with financial planning.

RJ – what does the students' union group look like?

TW – this needs thrashing out.

AC – the structure is an idea of what the structure might look like. The principles are the principles that TW would work towards but the structure is just an idea of what it might look like so we're asking you to agree that kind of structure in principle. This is a massive piece of work for the future. The charity would have to decide this structure and the governance side of things. The idea is that there would be an oversight that would be able to guide both charity and trading but allow both to do their own thing under their own terms of reference but within the principles.

TW – it's how NUS, National Trust, Local Authorities do it and is a very common model.

RJ – happy with the set of principles to get to the next level of detail, clearly it would have to go to the charity anyway but getting this structure right would be incredibly important and will take some time, and being really clear from the outset on the shared values being driven by the charity rather than the company. This is critical.

TW – agree.

AC – the driver is the charity and the charity's driver is the Education Act.

RJ – it would be really helpful when you're getting to the next level of detail to give us a couple of examples or what (2) would look like to give a flavour of the markets we're looking at.

TW – that’s why the principles are needed so this can be explored.

AC – what you’re looking at is completely different and it can be changed later if it doesn’t feel right.

NJ – has all this been sent to IW for his thoughts?

AC – yes, he’s had it all.

BOARD OF DIRECTORS NOTED THE BUSINESS REVIEW UPDATE

Board of Directors agreed the proposed time frames for strategic development

Board of Directors agreed the purpose of the trading company

Board of Directors agreed the principles of the trading company

Board of Directors agreed the future trading model in principle

8. Date and Time of Next Meeting

Tuesday 21st June 2016 at no later than 5pm - Room 1, The Union Building

ACTIONS

| Action | Who | Update | Status |
|--|-----|--------|----------|
| 6.2 - Amend the F&R minutes (£180k to £108k) | LS | | COMPLETE |

CONFIDENTIAL ITEMS

| |
|------------------------------------|
| Purple Wednesday Discussion |
|------------------------------------|

Minutes Approved: _____

Date: _____