

**Norse Group Q1 2020/21 Board Conference Call
Held on Wednesday 12 August 2020**

Attendees

Fiona McDiarmid	- Chair, Non-Executive Director, Norfolk County Council
Dean Wetteland	- Group Managing Director, Norse Group Ltd
Karen Knight	- Non-Executive Director, Norse Group Ltd
Simon Hardwick	- Non-Executive Director, Norse Group Ltd
Brian McCarthy	- Non-Executive Director, Norse Group Ltd
Lord Gary Porter	- Non-Executive Director, Norse Group Ltd
Nick Frogbrook	- Chief Financial Officer, Norse Group Ltd
Katie Marrison	- HR Director, Norse Group Ltd

Apologies

Apologies were received from:

Andrew Proctor	- Non-Executive Director, Norfolk County Council
Karen Vincent	- Shareholder representative, Norfolk County Council
Helen Edwards	- Chief Legal Officer and Monitoring Officer, Norfolk County Council
Simon George	- Executive Director Finance and Commercial Services, Norfolk County Council

1.0 Minutes of the previous meeting.

1.10 Minutes of the Norse Group Board Meeting held 13 May 2020 were reviewed and **AGREED**.

2.0 Group Action List.

2.1 Historic actions and those arising from the Board Meetings held on 19 February 2020 and 13 May 2020 are complete and will be removed from the list.

The Chair will liaise with Helen Edwards regarding the Council Relationship Agreement. (Action from May 2019).

Chair to ACTION

3.0 Group Financial Report.

3.1 The Group CFO provided a Finance Update.

3.2 First quarter of FY21 has fallen significantly short of budget, and similarly short of the results for Q1 last year. However, the result is significantly better than first anticipated.

3.3 The forecasts have significantly improved steadily since the outset of Covid-19, with the result for Q1 ahead of the latest forecasts still.

- 3.4 After rebates and tax there is an overall loss of £0.9m for Q1 2020/21.
- 3.5 CV19 has been the largest factor effecting all areas. However, it is noted that areas have achieved results better than budget, namely:
- NPS Peterborough – largely unaffected by CV19, it has continued to outperform in terms of revenues which have driven profits up by £93k for the quarter
 - Daventry – continued improvement largely driven through operational efficiencies, with a trading profit of £121k
 - Medway – waste services continue to drive strong performance and has enabled results for Q1 to be £244k higher in terms of trading profit
 - Newport – strong project spend on works which are highly favourable, overall results for Q1 have seen profits up £86k against budget
 - NEWS has seen stronger than expected results (due to commodity prices remaining stronger than expected).
- 3.6 At the end of Q1 there was a net gain as a result of movements in WIP for NPS of £685k.
- 3.7 Discussions around the final level of income to be received from clients are ongoing and will not be resolved for some time.
- Whilst the PPN notices provided guidance on payments to suppliers, furlough has been claimed to the full extent possible and held on the balance sheet until discussions with clients make it clear the final position regarding the payments the business will receive from them as a result of the crisis.
- At that time, the extent of furlough monies that can be retained by the business will be finalised, including any of the CJRS bonuses claimable in January 2021, before engaging with HMRC regarding the settlement and basis of any amounts that will be returned to them, and asking HMRC to confirm their position on this to avoid an investigation at some later stage.
- To do so before the discussions with clients are resolved would present too great a risk for the business to be left returning monies to HMRC or find HMRC request such, but then finding clients do not fund the extent of payments expected, leaving Norse to fund the shortfall.
- 3.8 Until then, there remains an element of uncertainty around the full year forecasts for FY21, but the position presented in the pack reflects the current expectation of the business.
- 3.9 As reported in the Extraordinary Board meetings held, cash flow during Q1 has been strong with an overall net cash inflow of £21.5m. This is considerably ahead of last year.

- 3.10 Whilst actions were taken ahead of the CV19 pandemic to improve working capital management it continues to be difficult to ascertain how much working capital gain can be retained. Some is driven by furlough monies received at the end of Q1 (£3.9m) with the remainder driven from the reduced debtor levels. How much of this is retained will only be seen during the balance of FY21.
- 3.11 Reductions to capital expenditure (net of funding) have aided cash flow against budget by £2.3m.
- 3.12 Overall debts have largely remained flat at the end of Q1, although slightly down on Q4 (2019/20) by £0.9m.

- 3.14 Whilst the outlook remains uncertain, the latest forecast expectation is largely holding in terms of outturn for FY21, with a trading profit of £2.3m. However, once the £5.4m of rebates and the expected £2m of IAS19 pension adjustments are reflected, this equates to a loss of £3.9m for FY21.
- 3.15 Greater certainty around client income and furlough payments is expected by the end of Q2 which will further aid the overall assessment, with schools being the largest area of uncertainty still.
- 3.16 It is noted that the outturn for FY22 used in the going concerns projections appears prudent and is being updated currently.
- 3.17 It was raised that the broader impact of CV19 on the business should be reviewed, including cost mitigation planning. It is noted that the Group's Chief Operating Officers are putting this data together for their business units.
- 3.18 High level cost reduction plans should be identified. However, it is noted that due to the complexities of the Norse Group business, there are difference mechanisms on creating profitability and reducing costs.
- 3.19 It was recommended that information is included in the finance reports for each Company/JV's profitability to reflect where and why the company/JV is in profit or is facing challenges. Information should be provided on how these issues be resolved.
- 3.20 Consideration is being made in-case there is a second wave and a second lock down. Whilst this situation is uncertain the Group will be prepared.

3.21 It was recommended that the Board are provided with a report on Risk and Furlough payments at the next Board meeting.
CFO to ACTION.

3.22 It is recommended that the Board are provided with a report on cost mitigation plans, reductions and profit improvement.
CFO to ACTION.

3.23 The Board **AGREED** to note the report.

4.0 Group SHEQ Report

4.1 The Group CEO provided an update. Highlights include:

4.2 Norse Group have had 12 staff members confirmed with contracting non-fatal CV19 and one staff member fatality.

4.3 Following an incident at the MRF facility on 24 June 2020, the Health and Safety Executive have conducted preliminary investigations and have taken witness statements and evidence. No formal notification of any intended action has been received.

4.4 During Q1, NorseCare received one new inspection report from the Care Quality Commission for St Augustine's which has retained its overall 'Good' rating.

4.5 19 RIDDOR reported, including 10 CV19 related.

4.6 The Board **AGREED** to note the report.

5.0 Group Business Opportunities

5.1 The Group CEO provided a Business Opportunities Update.
Highlights include:

5.2 The impact of CV19 has meant that Q1 had been a difficult start to the year due to the lack of bidding activity.

5.3 A key contract with UEA (value £408k) was won.

5.4 New Partnerships have commenced with Amber Valley Borough Council (waste services c.£6m p.a.) and Uttlesford District Council (FM and Building Maintenance c.£5m).

5.3 Broadland Growth Limited - completion of site at Great Plumstead with only one unit still to be sold.

5.4 It was recommended that the Group Business Opportunities report include information on the margins of profitability, activity pipeline and the likelihood of success in bidding activity.

5.13 The Board **AGREED** to note the report.

6.0 Group HR Board Report

6.1 The Group HR Director provided an overview of the HR Board Report. Highlights include:

6.2 1296 employees remain on furlough. Most of these employees are in educational roles and would not normally be in work this time of year.

6.4 Staff turnover rate for Q1 within NorseCare was 15.47%. This is below the industry average.

6.5 A new Learning Hive site has been launched; this includes 6 new learning catalogues.

6.6 All safe-guarding calls have been resolved.

6.7 An agile working policy has been drafted.

6.8 The Board **AGREED** to note the report.

7.0 Group Key Performance Indicators (KPI)

7.1 The Group CFO provided an overview of the Group KPI's.

7.2 It was recommended to review the format of the graph within the report.

7.3 The Board **AGREED** to note the report.

8.0 Norse Group Strategy Away Day

8.1 The Group CEO provided an overview of the draft plans for the strategy away day.

- 8.2 Following Board discussions on the development of the Group strategy, the Board have agreed to hold two away days to discuss the Norse Group strategy, the key objectives being:
- i. Vision: Where are we going?
 - ii. Mission / Purpose: Why do we exist? Who is the customer we serve?
 - iii. Strategic Priorities: What do we need to focus on to achieve our vision?
 - iv. Action planning for the strategic priorities.

8.3 It was recommended that a project plan, with a clear framework and time scale is created following the away day to ensure a programme of delivery that is achievable.

8.4 The strategy will create and develop an effective Board with a clear framework for the executives.

8.4 It was recommended that the strategy plan should be ready for implementation by April 2021.

8.5 The Board **AGREED** to note the report

9.0 Group Investment and Activity Review Update.

9.1 The Group CEO provided an Investment and Activity Review update.

9.2 The Board **AGREED** to note the report.

10.0 Audit Committee Terms of Reference

10.1 Following a review of the Audit Committee Terms of Reference by Helen Edwards, Chief Legal and Monitoring Officer, Norfolk County Council they were presented to the Board for approval.

10.2 The Board **APPROVED** to the Audit Committee Terms of Reference.

11.0 Norse Group Governance Overview.

11.1 The Norse Group Governance overview was presented to the Board.

11.2 It is noted that consideration to risk and how it is reported should be included in the governance overview.

11.3 The following key risks should be considered:

- Strategic – Board level
- Operational – Executive level, fed to Board through Audit Committee

- Health and Safety – Group wide

11.4 It was recommended that a Chief Executives report should be included in the Board Papers. This would provide valuable insight and opinion for the Board. **CEO to ACTION**

12.0 AOB

12.1 It is noted that The Chair now has visibility of the Group bank accounts.

12.2 The first draft of the audit tender is complete. Conversations with the key audit firms have been held.

I declare that these are the agreed minutes.

Chairman:

Date:

These minutes are unsigned due to meeting being online because of the pandemic.
The Board approved 11 November 2020