

# Norse Group Q1 2021.22 Board Conference Call

## Held on Thursday 29 July 2021

### Attendees

- Fiona McDiarmid - Chair, Non-Executive Director, Norfolk County Council
- Andrew Proctor - Non-Executive Director, Norfolk County Council
- Dean Wetteland - Chief Executive Officer, 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 Finance Officer, Norse Group Ltd
- Katie Marrison - Group HR Director, Norse Group Ltd
- Karen Vincent - Shareholder representative, Norfolk County Council

### Also in attendance:

- Stuart McWilliam - Group Solicitor, Norse Group Ltd
- Simone Taylor - Senior Solicitor, KPMG
- Niall McClelland - Internal Audit, KPMG

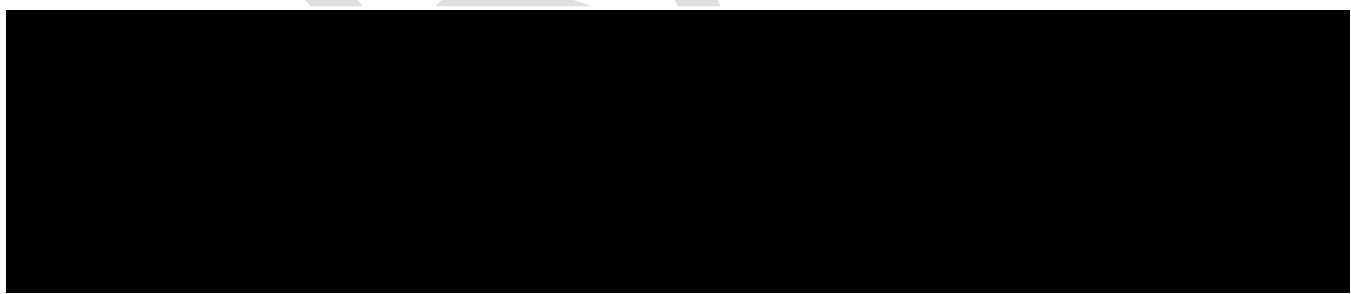
### Apologies

- Simon George - Executive Director Finance and Commercial Services, Norfolk County Council

### 1.0 Declarations of Interest

1.0 None to report.

### 2.0 Minutes of the previous meeting.



2.4 The minutes were **APPROVED**

### 3.0 Norse Group Action List

3.1 The Action list will be reviewed prior to the next Board meeting and completed actions removed from the list. It is noted that no significant actions are outstanding.

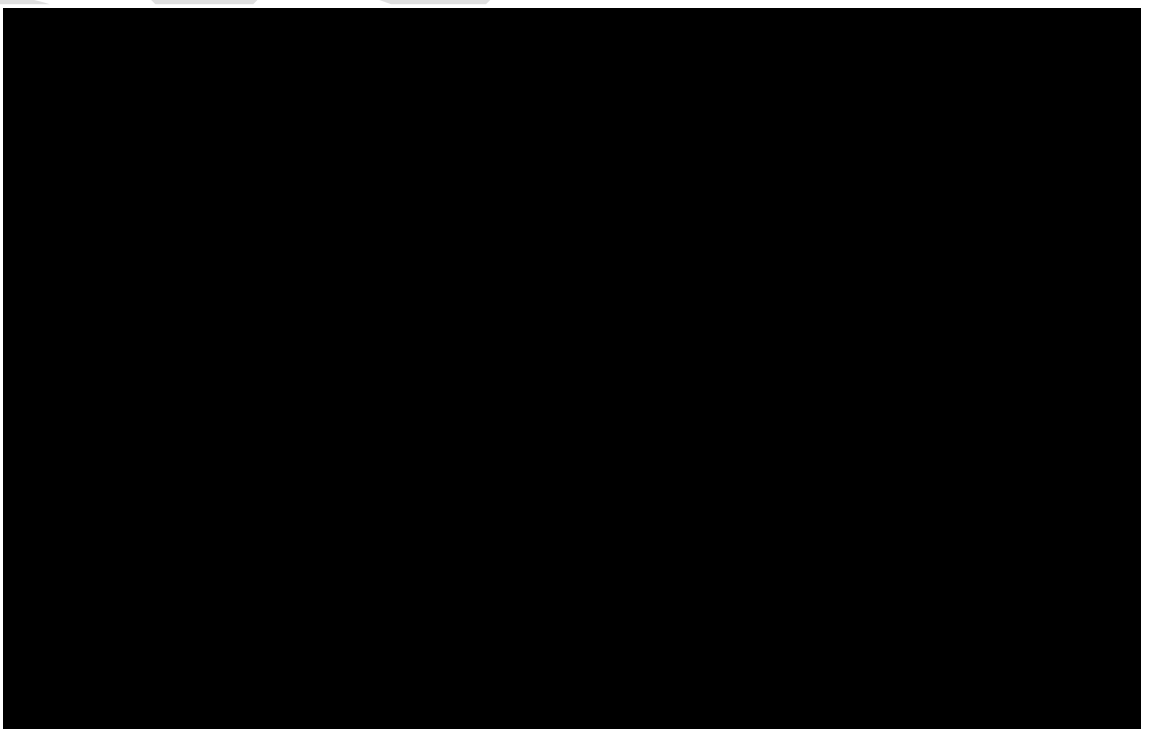
3.2 The action due date to have an exact date and not state 'next Board meeting.'

## 4.0 Chief Executive Report

4.1 The report was taken as read.

The following comments and observations were made:

- NPS London has successfully extended its JV arrangement with Waltham Forest for a further five years.
- Commission achieved from Brentwood Council creating 62 new zero carbon (in use) homes. Circa £835k of fees are expected. All new homes will be built to Passivhaus standard.
- The appointment of the new CRO is confirmed for an end of August start date.
- Two award winning projects that HBS were involved in has received coverage on BBC news.
- The long-planned closure of NAU continues, with positive conversations taking place between NCC and Norse to ensure all outstanding works are complete.
- FOI requests relating to NAU have been received. The Group has responded to these.
- IAAN Deed of Variation has been agreed and signed by both parties. No additional work will commence at IAAN until such time as any grant period expires, December 2021.
- As the Group emerge beyond 'Freedom Day' the Group maintains its measures of checks, hygiene, distance and PPE use.
- The Group are experiencing an increase in staff isolations particularly in NorseCare.
- Investigation at St Augustine's Place is complete.
- Fatigue within the team.
- Medway refuse collectors – the individuals involved (in the scuffle) have been removed from their positions.



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

## 5.0 Norse Group Litigation Policy

5.1 Simone Taylor and Niall McClelland joined the call to discuss the Norse Group Litigation Policy.

5.2 The following observations were made:

- The policy was presented to the Audit Committee prior to a redraft by KPMG.
- There were three main areas of focus for KPMG:
  - I. Review of the document
  - II. Discussions with key stakeholders – aim and objective

- Overall, the policy seems suitable however there has been a tightening of some proposed wording.
- Litigation is inherently risky and therefore clarity in the wording is necessary.
- The Litigation policy must have sufficient check points in place.
- It is acknowledged that there will be 'grey' areas within the policy.
- A Litigation policy will help mitigate some, but not all, of the risk.

The following points were raised by the Board:

- It was reiterated that the policy requires a clear separation between operational management of the business and those who decide to proceed to litigation. There must be no conflict of interests.
- The policy must include reference to possible reputational damage to the Group.
- It was suggested that the policy should include wording to the effect that any case with a success rate of less than 65% should not be pursued. An independent external advisor (solicitor) should offer guidance on the percentage of success in each case.
- Reference to financial sums involved to be included.
- Arbitration and mediation should also be considered however it is recognised that willingness to proceed to arbitration and mediation is not always achieved.
- Board approval will be required prior to any legal action.
- All records relating to a claim or the pursuit of a claim must be kept.
- Item 26 of the draft Litigation policy should be amended to state the 'CEO, in consultation with the Board is the only person authorised to contact the media'.
- The Group litigation policy must cover JVs and subsidiary companies. It is noted that within the constitution of JVs, litigation agreement is required from both partners.

5.3 The Board **AGREED** to the Norse Group Litigation policy.

Simone Taylor and Niall McClelland left the meeting.

## 6.0 Group Key Performance Indicators (KPIs)

- 6.1 The Group CFO provided an overview.
- Following previous Board discussions, the format of the report was amended. Feedback regarding the 'new' format is to be directed to the CFO.
  - RIDDOR's per 1,000 employees is up slightly for the quarter.
  - Incidents continue to rise in absolute terms, with the rolling last twelve months period seeing the initial lock down period up to June 20 drop off and replaced with a more normalised level of incidents.
  - Overall turnover of staff has worsened slightly, driven by an increase in those opting to leave Norse, with non-voluntary (excluding TUPE) at 116, slightly below the average per quarter over the last twelve months of 132.
  - Refilling the vacant positions is proving difficult due to the buoyancy of the employment market.
  - Whilst the cash position in Q1 is not particularly strong, this is not a cause for concern.
- 6.2 The Board noted that it was encouraging to see a return to some semblance of normality.
- 6.3 The Board **AGREED** to note the report.

## 7.0 Norse Group Finance Report

- 7.1 The Group CFO provided an update.
- 7.2 The first quarter of FY22 has achieved a trading profit of £2.2m, £0.4m behind budget but considerably stronger than Q1 of the previous year.
- 7.3 Despite revenues in line with budget for NPS, margins have suffered due to the mix of work.
- 7.4 NCS revenues are slightly up on budget, but with additional costs in catering being identified from prior years of £0.3m, this has impacted the overall results.
- 7.5 NEWS performance has been particularly strong due to both commodity price and tonnage however reduced work in Norwich Building and other building maintenance areas has offset this.
- 7.6 NorseCare private sales are down in the first quarter due to lower occupancy, specifically at All Hallows and Linden which has hindered performance, but the continued Infection Control Funds have helped with the continued higher

costs under the CV19 regime. This additional money was not budgeted so has aided in offsetting the reduced private income and the overall result. Funding has been confirmed as continuing until September.

7.7 Business Support costs are running favourably, largely due to staff shortages and delays in spend but also from higher than expected management fees.

7.8 The CFO is slightly cautious for the remainder of the year and is expecting results to be in-line with budget.

7.9 The following points were raised:

- Expenditure and authority controls remain in place however there is some flexibility for managers.
- Wage cost increases are a challenge to budgets.
- There is an expectation that All Hallows will break even however it is not expected to make a profit.
- Quarterly forecasting is now used.
- Authority levels, whilst somewhat relaxed, retain control.

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

## 8.0 SHEQ Update

8.1 A concise SHEQ update was provided to the Board however a more detailed report is available to Board members if required.

8.2 Accidents with a High Potential (HIPO) have slightly increased, predominantly within the waste operations sector. An immediate action plan has been put in place to develop and nurture cultural change through behavioural based safety programmes.

8.3 Laburnum Grove Housing with Care at Thetford was recently flooded. The team, working with Flagship Housing, immediately moved all residents.

8.4 SLAs are in place with Housing with Care schemes – the flooding at Laburnum Grove highlighted some areas where improvements could be made.

8.5 The following points were raised:

- Combine monthly graphs into one for the quarter.
- If there is a serious accident it should be reported to the Board as a separate report.
- The Board are appreciative of the efforts of staff at Laburnum Grove in keeping residents safe.

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

## 9.0 Group Business Opportunities

- 9.1 The Group CEO provided an update. Highlights include:
- Group CRO is due to start at the end of August.
  - Looking to recruit an additional bid writer.
  - Return to normal levels of bidding activity for commercial services, however the number of tender opportunities for professional services has remained around 40% lower than pre-Covid.
  - High Peaks and Runnymede are looking positive.
  - Encouraging feedback from Brentwood Council.
  - Due to Brexit the UK are no longer subject to the OJEU procurement regime. There has been reassuring feedback from local authority clients to this change and the previous restraints of the procurement process have been relaxed.

**ACTION:** CRO to present to the Board (in February 2022) an insight to the Group's direction. This will be added to the Agenda for the Board in February 2022.

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

## 10.00 Governance, Risk and Legal Report

- 10.1 The Group Solicitor provided an update. Key current and upcoming legal activity includes:
- The London Borough of Waltham Forest has approved the extension of the NPS London JV for a five-year period from 01 April 2022.
  - Discussions continue with Hertfordshire Building Control regarding the sale of Build Insight Ventures Limited. A final offer is expected shortly with a view to concluding the sale in the next couple of months.
  - NCC are conducting a periodic review of Norse's Teckal compliance.
  - No significant insurance matters have been reported.
  - Most recent Directors have been approved by NCC Cabinet.

- 10.2 The Board **AGREED** to note the report.

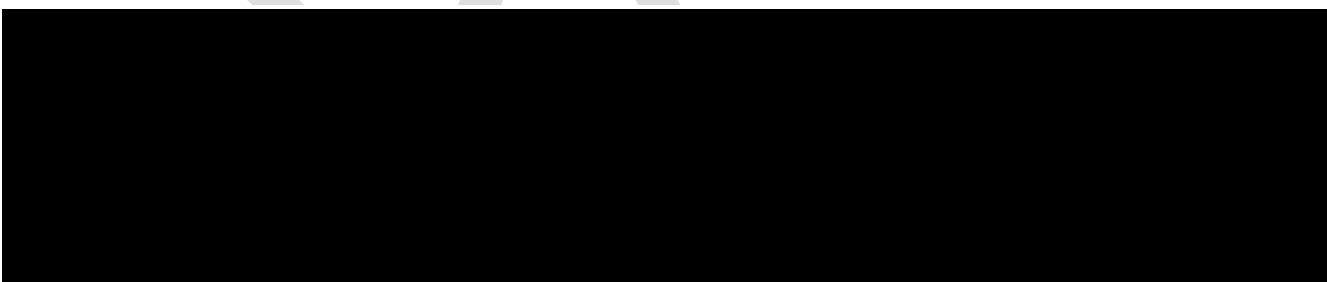
## 11.0 People Report.

- 11.1 The HR Director provided an update. Highlights include:
- Frustration within the workforce with morale at an all-time low.
  - Business is facing extraordinary pressures in recruitment and retention, with staff vacancy numbers at an all-time high, currently managed by a team of just four.
  - The Group is beginning to encounter challenges in respect of attracting and retaining staff.
  - Large number of staff vacancies in NorseCare and these are on the increase.
  - Staff are demoralised and exhausted, with resignations and sickness on the increase.

- It is anticipated that there will be a mandatory vaccination programme within the care homes.
- 109 staff are refusing the vaccination which could ultimately lead to significant recruitment needs.
- As a precautionary measure Norse are pushing a recruitment drive whilst awaiting guidance from the Government (regarding mandatory vaccinations). Unison have indicated that they will be seeking to dispute the decision.
- An occupational health provider has been commissioned to visit care homes where staff have not been vaccinated and provide more information and guidance.
- An impact report on unvaccinated staff and the pressure this could place on care homes is being looked at.

**ACTION:** Share staff survey results at the next Board meeting.

- 11.2 It was stated that communication across the business is key. Unfortunately, due to Covid, the Group's 'One' Event was cancelled. The One Event is a good platform to share and celebrate good news and key achievements by individuals. The 'One' Event is expected to take place in April 2022. Until then, various, smaller events are taking place.
- 11.3 The Group HR Director's attendance at various business unit meetings has been well received.
- 11.4 COG is actively looking at ways to engage with staff, however it is recognised that there must be a balance of keeping this informal, without creating more work for staff at this time.



- 11.6 The Board thanked the HR Director for a helpful report.
- 11.7 The Board **AGREED** to note the report
- 12.0 Norse Group Investment and Activity Review (HIT list).**
- 12.1 It is noted that most of the HIT list is covered in the Board Papers.
- 12.2 Positive discussions continue in relation to the Costessey MRF.
- 12.3 It was agreed to remove the HIT list from the Agenda going forward.

**ACTION:** Remove HIT list from the Agenda.

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

### **13.0 Strategic Risks / Strategic Action Plan**

13.1 The Strategic Risk report will be added as a regular item on the Board Agenda.

**ACTION:** Strategic Risk report to be added to the Board Agenda.

13.2 The draft report presented is a combination of all reports and information relating to SAPs. Resource requirements and timeline (expected completion date) for the individual SAPs is shown and where possible, cost expectations outlined. Risk appetite should be moved to the beginning of the report.

13.4 There will be an ongoing review of investment required versus affordability. This will be steered by the Board.

13.5 It is recognised that there will be investment cost pressures on the business for the next 2-3 years. The Board are conscious of ensuring the sustainability of the business and the investment needed for the growth of the business. It is recognised that an objective set of investment measures are difficult to assume.

13.3 The report provides visibility and frequency of risk to the Board. This will be a Board managed process rather than an individual or committee led process.

13.4 The following items were suggested to be included within the report:

- Purpose and benefit of investment
- Targets against investment
- Investment versus leveraged returns
- Budgets and availability to invest
- Forecasts with and without investment
- Improvement processes
- Quantifying the benefit of the investment
- Efficiency value of investment
- Accountability for outputs
- Impact on the business and Norse's standing in the market if investment is not made.

It is imperative that the report provides a reasonable set of assumptions that the Board are comfortable with and can support.

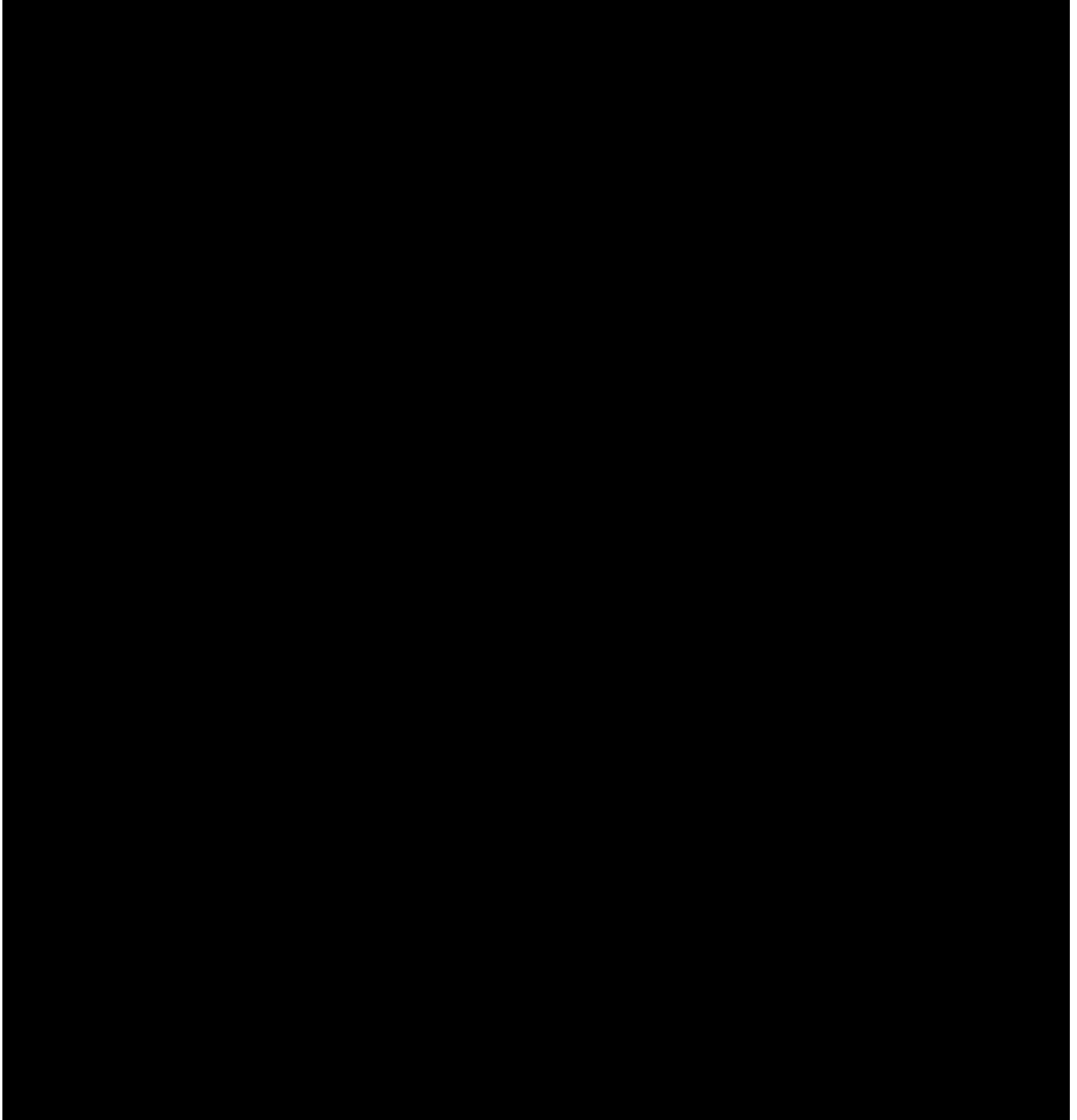
13.5 Investment in the business is required to make the business competent, profitable and fit for purpose.



- 13.6 System efficiencies are required across the Group to promote and enable a One Group ethos. Part of this will be to remove individual system platforms and processes for each of the business areas.
- 13.7 The following points were raised during the ensuing discussion:
- Whilst investment need is recognised, investment priorities are also to be identified.
  - Revenue and business growth targets to be set – the CRO will be able to focus on this when they are in-situ.
  - Investment priorities are to be identified and agreed on.
  - Identify where savings and efficiencies will be made from investments.
  - Reviews should be completed to ensure revenue is generated to fund investments for efficiencies.
  - If a clear business case can not be presented an overall investment amount required must be stated.
- 13.8 Where a large investment is required i.e., Project Viking, Board approval will be sought.
- 13.9 Proposed investment data should be included in financial reports to ensure the Board are aware. This will be included in the exceptions line.
- 13.10 The Chair stated that the report provides a clear understanding of where investment is required for the Group and thanked the Executive.
- 13.11 The CFO stated that Project Viking is gaining momentum and knowledge, to proceed to a final solution to ensure its success. The team are now moving to a deeper dive into key areas to move the project forward.
- 13.12 The Board **AGREED** to note the report.
- 14.0 NCC Manifesto**
- 14.1 An initial first draft response has been prepared by Norse to address key areas in the manifesto.
- 14.2 It was recommended that the Group, to assist NCC in delivering the manifesto focus on:
- Care scheme – investigate opportunities for care homes and care villages. Investigate the provision of domiciliary care across Norfolk.
  - Highways – an important topic and issue faced by most County Councillor's
  - Environmental responsibilities – become a Carbon Neutral Council by 2030.
- 14.3 It was stated that Norse have their own environmental targets and are currently working on zero carbon homes. Passivhaus will continue to be an area of focus for the Group.

14.4 The Group will continue to assess what more can be done to support NCC in achieving the manifesto pledges.

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

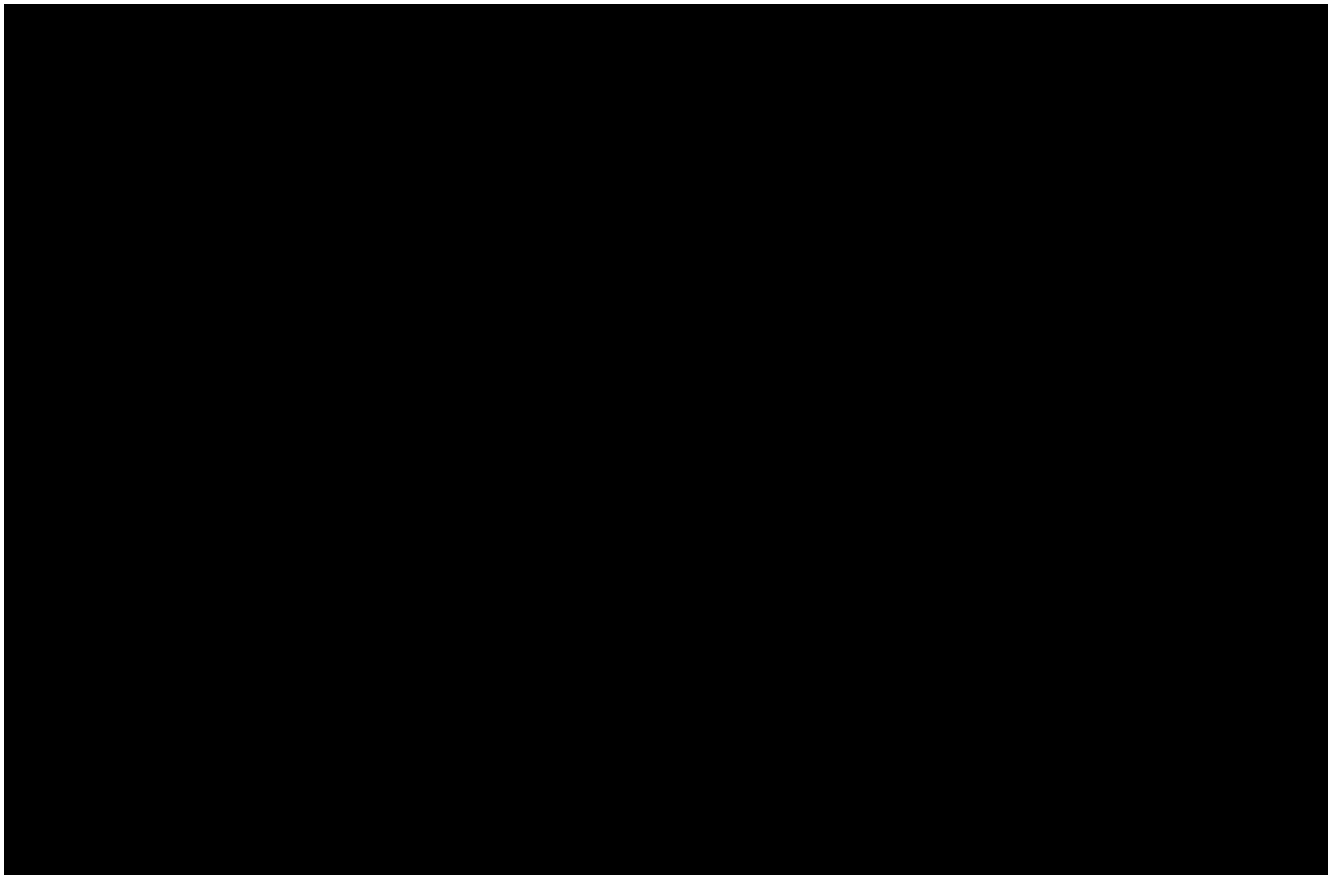


**16.0 NorseCare / NCC Transformation Programme**

16.1 The Group CEO provided an update.

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

16.3 The Board **AGREED** to the proposed delegation levels provided in the report.



**18.0 Non-Executive Director (NED) Succession Planning**

18.1 Simon George, Executive Director Finance and Commercial Services Norfolk County Council provided a report.

18.2 The Non-Executive Directors declared an interest.

18.3 The Board currently has three Independent Non-Executive Directors, appointed in September 2019 on a three-year contract.

18.4 It is now timely for the shareholder to consider the most appropriate process for succession planning, to ensure the stability and continuity of the leadership of the business.

18.5 In the context of the work the Board has undertaken on the Strategy, it would not be sensible for all three NEDs to step down at the same time. It is therefore proposed that all three NEDs are offered a further three-year contract.

18.6 NEDs review will take place in September.

18.7 Andrew Proctor and Karen Vincent support the proposal.

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

## **19.0 Audit Committee Feedback and Statutory Accounts**

19.1 The Chair of the Audit Committee and Norse Non-Executive Director, Brian McCarthy stated that the Audit Committee met the prior week and had received a concise Audit report from PWC.

19.2 PWC External Audit is almost complete. PWC and the Audit Committee are comfortable with the numbers provided.

19.3 It is recognised that the Group accounts are complex, long and difficult to put together.

19.4 Going concern documents are complete and the Letter of Support from NCC has been received.

19.6 PWC are supportive of the suggestions made in relation to processes and systems.

19.7 The following suggested amendments should be made:

- The Chair stated that it was encouraging to read the positive statement regarding the Group's response to Covid (page 17 of the accounts) and that the statement should be moved to the front of the document.
- Remove the following – '*from 1.9% in 2020*' from page 8.

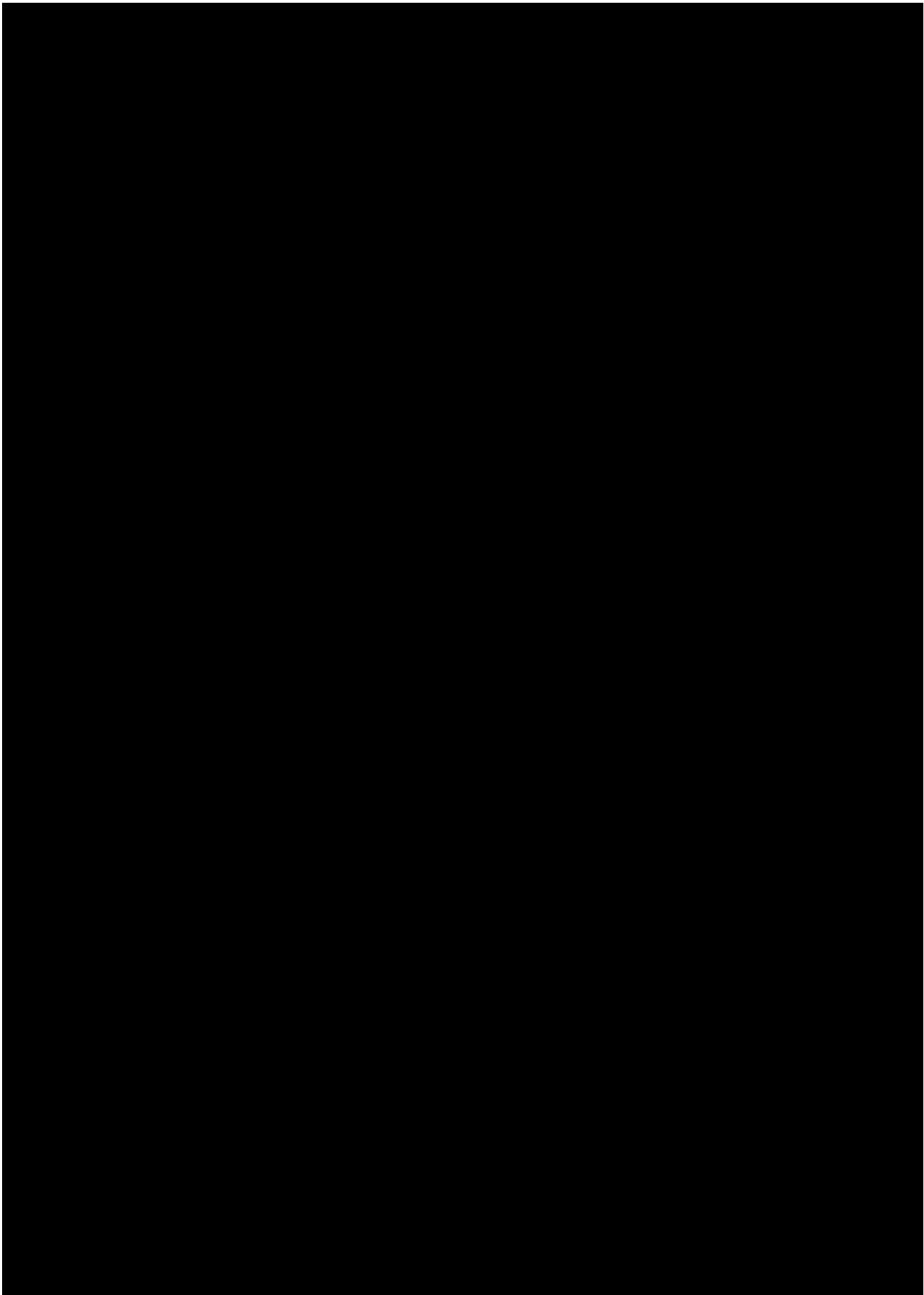
19.8 The Chair and Board thanked the team for a good audit and the efforts of staff in relation to the Audit is recognised by the Board

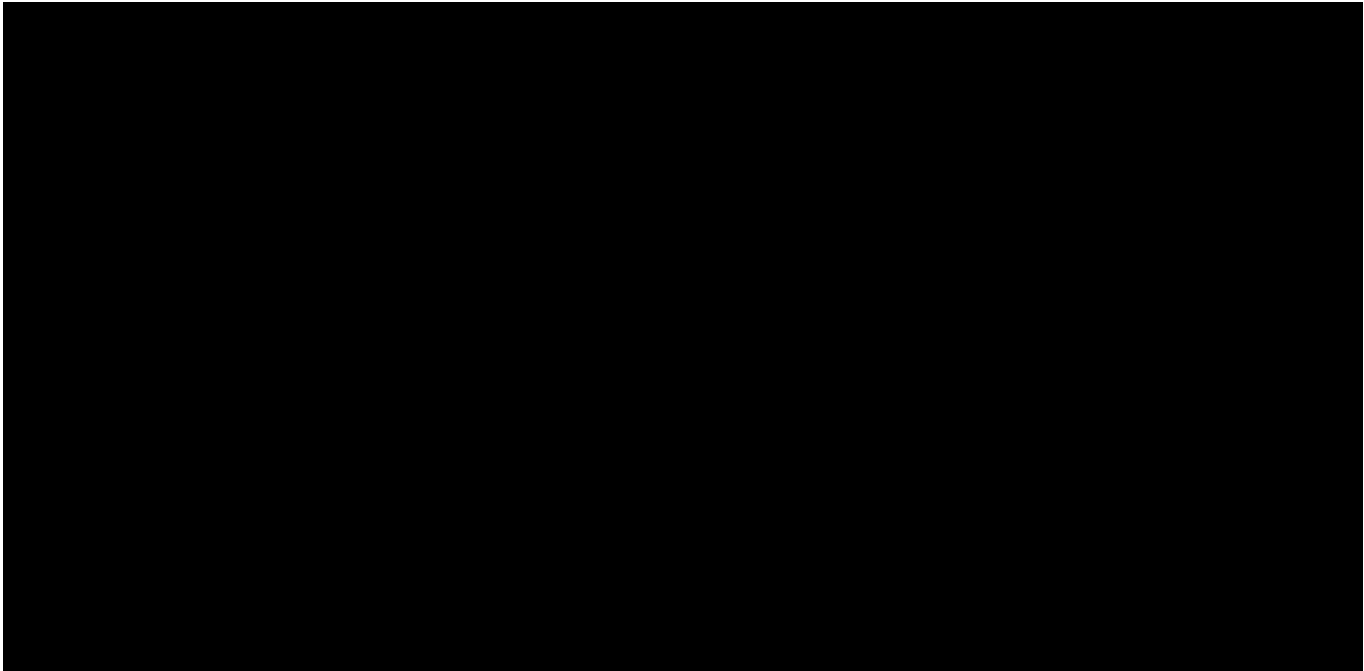
19.9 Subject to a confirmation of the Norwich City Debt Position the Board AUTHORISE the signing of the Accounts as they stand.

## **20.0 Norse Group Value Statement**

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

## **21.0 Remco – Executive Contracts**





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 17 November 2021.

DRAFT