

**Norse Group Q2 2020/21 Board Conference Call
Held on Wednesday 11 November 2020**

Attendees

Fiona McDiarmid	-	Chair, Non-Executive Director, Norfolk County Council
Dean Wetteland	-	Group Managing Director, Norse Group Ltd
Andrew Proctor	-	Non-Executive Director, Norfolk County Council
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
Karen Vincent	-	Shareholder representative, Norfolk County Council
Simon George	-	Executive Director Finance and Commercial Services, Norfolk County Council

Also in attendance: Declan Barry

Apologies

No Apologies were received.

The Chair welcomed Declan Barry to the meeting.

- 1.0** The Group CEO shared a Covid update with the Board. Systems and procedures put in place during the March lockdown are being adopted during this second lockdown. It is noted that weekly CV19 calls are not required, however should the need arise they will resume.

2.0 Minutes of the previous meeting.

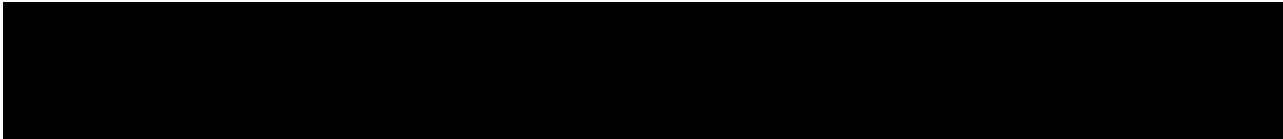
- 2.1 Minutes of the Norse Group Board Meeting held 12 August 2020 were reviewed and **AGREED**.

3.0 Group Action List.

- 2.1 12 August 2020 Board Meeting: The Council Relationship Agreement, delayed due to CV19, will now be addressed and actioned by the Chair. **[Chair to ACTION]**.

4.0 Chief Executive Report

- 4.1 The Group CEO provided an update. Highlights include:
- 4.2 Group finances have improved with a trading profit of £1.26m above budget and post-tax/rebates £1.07m above budget, resulting in a half year result of £1.098m below budgeted profit (post tax/rebates).
- 4.3 Whilst the CEO remains confident that the Group will achieve budget (excluding any pension adjustment) by year end, it is noted that this is subject to Catering, NEWS and Furlough payments remaining on plan.

- 
- 4.5 Altcar PV sale has been agreed - £1.28m.
 - 4.6 A full audit of the Mountfield Care home will be conducted by the CQC. Karen Knight will provide input to support.
 - 4.7 Planning has been granted at the IAAN, for the proposed changes and change of use. Positive conversations continue with the landlord and it is likely that the Group will use the IAAN, in its current design, as an overflow for Norse accommodation to enable it to exit some other existing premises.
 - 4.8 Positive conversations continue with Devon CC regarding the extension of the NPS and NCS Joint Ventures.
 - 4.9 Hull County Council have indicated that at the end of the current term of the JV (2023/24), it is likely that, due to the direction of the Council, they will not continue with the JV.
It is noted however that this situation could change in time.
 - 4.10 The Group have completed a high-level review of Sales and Marketing. The outcome being a change in direction required to not only ensure greater market penetration but also to ensure the delivery of the Group Strategy. Sales and marketing will need a re-organisation to ensure full revenue management and development, including the introduction of CRM and account management. In order to deliver this fundamental change in direction, the Group will be looking to recruit an experienced Chief Revenue Officer (CRO). External agencies will be used to assist in the search for the appropriate candidates. The Group CEO will oversee this process.
 - 4.11 The appointment of a CRO was supported by the Board.

- 4.12 Pressure from Partners continues regarding central overhead costs. The Group are providing a clear understanding and formal arrangement of services within the JV documentation.
- 4.13 The Group are exploring investment in VC facilities across the portfolio of care homes and at improving external meeting capacity.
- 4.14 Positive negotiations continue with High Peak and Staffordshire Councils regarding reactive repairs and maintenance across housing stock. The likelihood of success is 80%. The contracts have an annual value of £10-12m, with a potential start date of April 2021.
- 4.15 The Non-Executives and Chair agreed that the CEO report was helpful and beneficial.
- 4.16 Karen stated that care home staff have been under significant pressure since March 2020 and questioned the morale of staff and how this is being managed. In response it was stated that a staff questionnaire had been distributed to care staff. The HR Director subsequently shared the results of the survey with the Board members. It is noted that whilst care staff have been under increased pressure, morale remains high and importantly staff remain motivated.
- 4.17 Care staff agencies have been contacted and are on stand-by should they be needed.
- 4.18 The Board **AGREED** to note the report.

5.0 Group Finance Report.

- 5.1 The Group CFO provided a Finance Update. Highlights include:
- 5.2 Q2 of FY21 has achieved a Trading Profit of £3m, £1.3m ahead of budget which is a considerable improvement in performance from Q1.
- 5.3 £1.2m of furlough income has been recognised in the period which has driven the overall favourable variance.
- 5.4 CV19 has had an impact on NPS, even with cost mitigation steps taken. There remains a significant amount of furlough which has not yet been recognised in relation to the NPS JVs (£0.9m) which is expected to be recognised in Q3.
- 5.5 NCS has performed well in Q2, achieving budget without furlough monies.
- 5.6 NorseCare in Q2 performed well, with private income partly recovering but remaining below budgeted levels.

- 5.7 For the first half of the year the Group is down on its budgeted trading profit by £1.3m at £3.2m.
- 5.8 Retained profit is down by £1.1m at a small loss of £0.1m after factoring in the impact of rebates and tax.
- 5.9 Cashflow for Q2 is positive and ahead of budget, although with some significant working capital gains at this time last year it is behind the level seen in Q2 FY20.
- 5.10 With working capital gains achieved in Q1, the further gains in Q2 help to improve the overall cash position which at the end of the period gave a cash balance of £27.3m
- 5.11 As updated to the Audit Committee, the cash management processes continue to be developed to improve the accuracy and understanding of the Group's cashflows. Whilst the projections continue to reflect enough cash resources, the levels of cash generation are minimal over the next 18 months and improving these is a core focus.
- 5.12 It is noted that there is a desire to reduce debt levels. The Group is exploring the potential refinancing of its debt with NCC to align repayments and interest in line with what the Group can sustain.
- 5.13 Whilst the cash position, overall, is good, investing more than the Group is generating in cash terms is not sustainable. Reducing debt is imperative.
- 5.14 The outlook for FY21 has improved from an overall loss of £3.9m to a loss of £2.1m which includes both the NCC rebate of £2.2m and the estimate for the defined benefit pension adjustments under IAS19 at £2m.
- 5.15 An impairment review is underway and is anticipated to be reviewed by the Audit Committee in January 2021. This may result in additional impairments or revaluation of assets which are not currently forecast.
- 5.16 NPS is in a volatile position as projects may be delayed due to CV19. NCS reflects a more stable position and NorseCare shows a largely break-even position.
- 5.17 In response to a question about CFO recommendations, Nick stated that during the next year or two, focus should be on; internal investment where efficiency improvements can be made, aiming to reduce the cost base as much as possible and recognizing that new business must add value and cash.
- 5.18 It is noted that whilst Covid has not impacted NEWS significantly, the effect of Brexit and future commodity prices may.

5.19 The Chair and non-executives expressed thanks to the CFO for a clear and concise report with a helpful level of analysis.

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

6.0 SHEQ Report

6.1 The Group CEO provided a SHEQ Update.

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

7.0 Business Risk Management Update

7.1 The Group CEO provided a Business Risk Management Update.

7.2 It is noted that once the strategic plan for the Group is finalised, strategic risk can be identified. This will be a 'top down' review of strategic risk and risk appetite and mitigations.

7.3 Operational Risk is currently managed by the Operations Directors and elevated to Senior Executives where necessary.

7.4 The CEO will share with the Board the COG risk list. **[ACTION – CEO to share COG risk list].**

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

8.0 Group Business Opportunities

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

8.2 Q2 has seen a 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.

8.2 From 1 January 2021, as a result of Brexit, the UK will no longer be subject to the OJEU procurement regime. As a result, public sector tender opportunities will be subject to significant deregulation and there is a risk that some contracting authorities will use alternative procurement methods. There is likely to be an increase in the use of frameworks and of procurement consultancies.

8.3 This may adversely affect the ease of access to bidding opportunities. The Group Business Development Director, along with the bids team will be producing a plan of action to mitigate the effect of this change. This may

require additional resources, the cost of which will be built into the 2021/22 budget.

8.4 Sales during Q2 were adversely affected by the impact of CV19 with many contracting authorities suspending all procurement activities. Despite this the Group enjoyed some success in winning new and re-tendered contracts.

8.5 It is noted that the figures presented for NPS are aspirational. The Group will not bid for work where profitable margins do not exist.

8.6 With the appointment of a CRO it is the Groups ambition to expand the focus of the sales and marketing.

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

9.0 People Report

9.1 The Group HR Director provided a People Report update. Highlights include:

9.2 200 staff are currently on furlough.

9.3 No tribunal claims have been raised in relation to staff at Medway.

9.4 There appears to be some complacency among staff relating to social distancing. This will be addressed.

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

10.0 KPI Report

10.1 The Group CFO provided a KPI update.

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

11.0 Norse Group Investment/Activity Review

11.1 The Group CEO provided an Investment/Activity Review update. Highlights include:

11.2 **IAAN** - Since the IAAN opened in 2017 the Group have suffered substantial financial losses, driven by the low levels of rental income against the original plan.

- 11.2.1 Whilst the current position is complex, a strategy is in place in order to seek to remedy much of the annual losses by FY22.
- 11.2.2 In order to reduce the annual losses, the Group are exploring the short-term option to vacate Lancaster House and Nautilus House and relocate these staff to the IAAAN (subject to landlord approval) and Fifers Lane.
- 11.2.3 Agile working will be considered for some staff. A working group has been formed to explore this option.
- 11.2.4 Whilst Senior management are confident that in the longer term the office environment will return, it is recognised that certain areas of the business will work well in an agile environment.
- 11.3 **NorseCare / NCC Contract** – The works programs as agreed with NCC continue as planned. Both parties have agreed to meet in November to discuss the broader picture and how to work together. Senior Management are confident that a suitable outcome is achievable for both parties. The Chair stated that the Board will be united in its response.
- 11.4 The Board **AGREED** to note the report.
- 12.0 Norse Group Strategy.**
- 12.1 The Chair confirmed that the strategy document and detailed implementation plan has been shared with the Board.
- 12.2 It is noted that key outcomes and KPIs should be identified and the Board notified when achieved.
- 12.2 The Chair and Non-Executives congratulated the Executives on producing a succinct report from the Board Workshop.
- 12.3 The Board **AGREED** to the Norse Group Strategy.
- 12.4 The presentation of the Group's Business Plan and Strategy are imperative in providing the Shareholder committee with vital information regarding Norse and the Group's business activities.
- 12.5 It was questioned whether Norse Management have the bandwidth to support the strategy. A project manager may be required to oversee implementation of the plan. This was supported by the non-executives.
- 12.6 It is noted that the strategy will set the Business Plan which will require Shareholder approval.

13.0 Norse Group Business Plan.

- 13.1 The Group CEO provided a Business Plan update.
- 13.2 It is noted that the Business Plan and Group Strategy must align and will then be presented to NCC for approval.
- 13.3 The social and financial benefit of the Norse Group must be reflecting in the Business Plan.
- 13.4 The Chair reported that an opportunity has arisen for the Group, when presenting the new Strategy and Business Plan, to inform NCC and the Shareholder of the new Board strategy, structure, strong governance in place and the social value of the Group.

14.0 Norse Group Restructure.

- 14.1 As previously agreed by the Norse Board and as recently updated to the Audit Committee, the NPS Group is to be restructured. Norse Consulting Group will be established to hold the Group's various professional consultancy companies.
- 14.2 The Board **AGREED** to authorise the implementation of the restructure.

15.0 Norse Group Tax Strategy.

- 15.1 An overview of the Norse Tax Strategy was provided by the Group CFO.
- 15.2 The Board **AGREED** to the Norse Group Tax Strategy.

16.0 NCC SEND Capital Programme.

- 16.1 A formal update of the SEND programme was provided to the Board.
- 16.2 It was recommended that the SEND programme provides details of the scope of responsibility and risks. The CEO stated that this information will be provided to Board members. **[CEO to ACTION]**.
- 16.3 Due to CV19 some SEND projects are delayed or have been put on hold.
- 16.4 The Group are on target with their responsibilities relating to the SEND programme with time, cost and quality all in line with the Commissioners expectations.
- 16.5 It was agreed that a more detailed presentation of the SEND programme is presented to the Board. **[Simon Hersey to ACTION]**.

17.0 Approval of Slavery and Human Trafficking Statement.

17.1 The Company Solicitor has reviewed the Norse Group Slavery and Human Trafficking Statement. There are no material changes.

17.2 The Board **APPROVED** the Norse Group Slavery and Human Trafficking Statement.

18.0 Norse Group Auditors.

18.1 The Group CFO provided a verbal update on the Group Auditors.

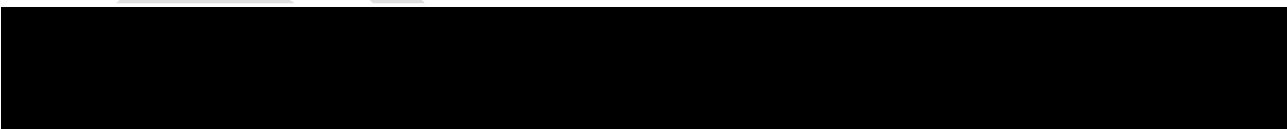
18.2 Two tenders were received from PWC and E&Y. Both are close in cost. Some accounting firms have declined the invitation to tender at the current time.

18.3 It is the desire of PWC to continue as Norse Group Auditors for a further two years. It is recommended that the Group continue with PWC as auditors for the next financial year. Should PWC conduct the audit in 2022/23 this would be their last year as Group Auditors.

18.4 The Group's approach to the external audit is **APPROVED** by the Audit Committee.

19.0 Norse Group Board Planner

19.1 It was **AGREED** that the dates for Board meetings will be held.



20.0 AOB

20.1 Nothing to report.

I declare that these are the agreed minutes. These minutes are unsigned due to meeting being online because of the pandemic.

Chairman: The Board approved 17 February 2021.

Date: