

Norse Group Q2 2021.22 Board Conference Call Held on Wednesday 17 November 2021

Attendees

- Fiona McDiarmid - Chair, Non-Executive Director, Norfolk County Council
- Andrew Proctor - Non-Executive Director, Norfolk County Council
- Simon Hardwick - Non-Executive Director, Norse Group Ltd
- Brian McCarthy - 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
- Simon George - Executive Director Finance and Commercial Services, Norfolk County Council

Also in attendance:

- Stuart McWilliam - Group Solicitor, Norse Group Ltd
- Jamie McDonald - SHEQ Director, Norse Group Ltd
- Jonathan Mackie - CRO, Norse Group Ltd

Apologies

- Dean Wetteland - Chief Executive Officer, Norse Group Ltd
- Lord Gary Porter - Non-Executive Director, Norse Group Ltd

1.0 Declarations of Interest

- 1.0 None to report.

2.0 Minutes of the previous meeting.

- 2.1 The minutes of the Norse Group Board Meeting held on 29 July 2021 were reviewed.
- 2.2 The SHEQ Director, in attendance, will provide an update. This is in addition to the report provided at the Extraordinary Board meeting held on 8 November 2021.
- 2.3 Item 18.2: Amend wording to state all Non-Executive Directors declared an interest.

- [REDACTED]
- 2.5 The minutes were **APPROVED**

3.0 Norse Group Action List

- 3.1 The Action relating to Defined Benefit Pensions will be covered during the February 2022 Board.

3.2 Group Business Opportunities and People Report are removed from the Action report.

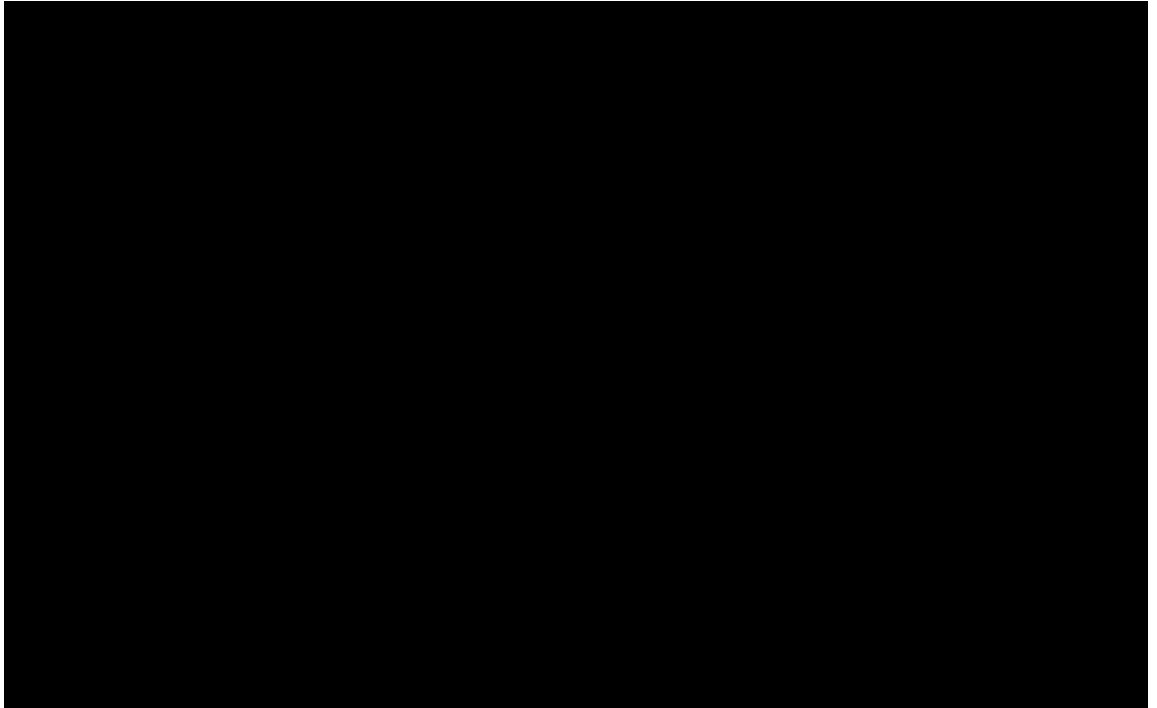
4.0 Chief Executive Report

4.1 The report was taken as read.

The following comments and observations were made:

- Q2 has received a trading profit of £2.9m, £0.6m ahead of budget.
- Devon County Council partnership has been confirmed for a further 5 years, with the contract finalised and is due shortly to be signed.
- High Peaks JV discussions are increasingly positive with what is hoped to be a start date of July 2022 for what will be a c.£11m p.a. venture for predominantly building maintenance with a potential for additional capital works. It is noted that this partnership has not been reviewed by the Investment Committee as it does not meet the criteria, however, should the Executive feel that there are any issues, a review by the committee will be considered.
- Whilst there are some similarities to the Norwich City Council contract it is noted that the model introduced to High Peaks allowed for a cost envelope to be built into the contract and provide visibility of costs. Whilst building maintenance is different to Centric (Centric is more fixed rates and market movements) High Peaks is a lower risk and uses a different commercial model.
- A paper relating the High Peaks will be presented to the Board in December. **ACTION.**
- It is noted that the Board wish to see how the relationship with High Peaks was formed and developed with a view to using this model going forward.
- NEWS MRF contract is all but agreed, subject to Cabinet approvals. The new terms have been adopted from October 2021, guaranteeing NEWS a profit of £250k.
- Sales at Needham Market housing development are proceeding well.
- There are challenges within the business in recruiting and retaining staff. Currently, the business is running with over 900 vacancies. Over 2,000 staff have left (excluding TUPE) over the last 12 months. This is putting a strain in recruiting and training and indicates an increasing trend.
- The Group recognise that they need to adapt to the future needs of staff, with traditional ways of working changing.
- The Group often rely on the knowledge of employees, rather than the systems, therefore when employees leave, this knowledge also leaves the business. This is a serious issue for the Group but will in part be addressed by Project Viking.
- The Group struggle to recruit staff with responses to job advertisements low. The quality and suitability of candidates is also a concern.
- Filling vacancies is taking longer with the training of new starters placing additional pressure on current employees.

- The volatility around capital projects can be seen in PCL where significant school projects have been delayed, reducing expected income.
- Retaining staff in Consulting (whilst there is reduced work) is an issue. The COO is looking at this. A key aspect is keeping a flexible resource base whilst retaining good staff. Reducing staff could affect the suitability of the Consulting business.



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

5.0 **Group Key Performance Indicators (KPIs)**

5.1 The report was taken as read.

5.2 The Board stated that the graphs within the report were helpful.

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

6.0 **Norse Group Finance Report**

6.1 The Group CFO provided an update. Highlights include:

6.2 Q2 has achieved a trading profit of £1.0m - £0.5m ahead of budget a slightly lower than Q2 2020/21.

6.3 Despite Norse Consulting revenues being slightly lower than budgeted, margins have suffered due to the mix of work and resources within the business. Q2 is profitable at £0.7m but this is still £0.8m behind budget, driven in large part by client delays in releasing capital projects.

- 6.4 NCS are slightly up on those budgeted with the performance of NEWS being particularly strong. The Partnership division has had significant challenges in its Centric operation which has lost over £0.7m so far this year.
- 6.5 Care sales are slightly down in Q2 due to lower occupancy which has hindered performance, but the continued Infection Control Funds have helped offset the continued higher costs under the CV19 regime.
- 6.6 Business Support costs are running favourable largely due to staff shortages and delays in spend but are also aided due to higher-than-expected management fees.
- 6.7 YTD position is marginally ahead of budget, with trading and retained profit both £0.2m better than budgeted at £0.5m and £1.5m respectively.
- 6.8 The following points were raised during the ensuing discussion:
- Barclays remain supportive of the business and are open to refinancing.
 - All loan repayments are included in the finance report with a view to running down debt.
 - Work continues with the Norse Consulting business model. This is a high margin model and NCG are encouraged to take advantage of current market conditions which work in its favour.

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

7.0 **SHEQ Update**

7.1 The Chair reiterated the importance of the SHEQ report.

7.2 Planning for CV19 restrictions being reintroduced are taking place.

7.2 The Board are encouraged that Health and Safety is being embedded in the Group.

7.3 It was stated that NCC can and will provide support where required and have individuals that would be able to assist and add value to the Norse SHEQ team.

7.4 The Board are to be assured that every possible scenario regarding strategic risk (across the Group) is covered and are immediately notified of any 'red-flag' issues. Corporate resources, if required, must be deployed to areas where they are needed.

- 7.5 The Board are to be satisfied and assured that systems, process, and controls are working effectively, and that cultural change is driven by management.
- 7.6 It was questioned whether there would be a benefit in an independent external review on the Groups systems, processes, and controls. The Executive agreed that this would be advantageous with a review, first on NorseCare and subsequently Consulting and NCS.
- 7.8 Care-home incident data, in the form of a table is to be included in the next SHEQ report. **ACTION**
- 7.9 The risks to the business remain:
- Potential for a fatality within the workforce and care homes.
 - The successful intervention from an enforcement agency.
- 7.10 The SHEQ Director provided an update regarding care homes. This is minuted in item 20.
- 7.11 The Board **AGREED** to note the report.

8.0 Group Business Opportunities

- 8.1 Q2 has seen a return to normal levels of bidding activities for commercial services and professional property services.
- 8.2 Sales during Q2 returned to normal following the impact of CV19 with contracting authorities removing the suspension of procurement activities.
- 8.3 High Peaks – both councils have now approved the joint venture in principle and the final stage of due diligence has started.
- 8.4 Runnymede – Discussions have concluded. The client may re-engage in due course.
- 8.5 Rochford District Council – Initial cost modelling has been completed and an outline proposal has been presented to the Council.
- 8.6 The CRO stated that capturing information to drive sales is proving difficult as data information is not available to the Group. This is a concern and the CRO is addressing it.
- 8.7 It was recommended that the CRO contact Lord Gary Porter and pursue any contact leads he may have. **ACTION**
- 8.8 NorseCare private bed income is down 2.1% from the same period last year. Post Covid this is being looked at.
- 8.9 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:

- New housing development with Rugby Borough Council (Caldecott Developments Limited) – shareholders agreement has been finalized and is ready for execution once the initial business plan for the Company has been concluded.
- NCC are conducting a periodic review of Teckal compliance for the Group (current focus relates to NorseCare) A report will be produced for the Board in February showing Teckal compliance. **ACTION**

10.2 No changes are required to the Modern Slavery Act.

The Board **APPROVED** the Slavery and Human Trafficking Statement for the Financial Year 2021/22.

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

11.0 People Report.

11.1 The HR Director provided a general HR update, and a more comprehensive overview of the Staff Survey results.

During the ensuing discussion the following points were raised:

- Staff survey results must be shared with all staff, including staff that do not have access to Citrix and the Group intranet.
- Access for all staff to the staff survey must be reviewed.
- A dedicated member of staff, to focus on internal communications is being explored.
- Staff Pay and Terms & Conditions are an issue.
- Pay data report will provide good basis for pay discussions beginning March 2022.
- Communication remains an issue for the Group and will be addressed by the Executive.
- Empowering managers – staff in management positions must have the skills to manage effectively.
- Leadership training to be reviewed.
- Employees must have confidence that staff survey results are actioned upon.
- The Executive are to select issues raised in the survey that can be fixed – providing quick wins.
- Staff exit survey data must be captured. Only 20-27% of staff exit surveys are completed and this needs to be improved.

11.2 The challenge for the Executive is to ensure that communication filters from the OD's down to all staff from the cleaners in schools to staff based in the Head Office.

- 11.3 The Board stated that they offer their full support to the Executive and support the One Culture, One Group ethos.
- 11.4 NorseCare have launched a recruitment campaign with Archant. Whilst there has been a good hit rate of c.17k this reduces massively to c.170 when taken to the recruitment section.
- 11.5 There are a number of vacancies within Highways. This is a concern for Cllr Vincent as she is hearing of complaints from constituents. This is a reputational concern for NCC and the Group. The Group HRD will speak with the Highways OD. **ACTION**
- 11.6 The report provides a concise view on the challenges faced by the business.
- 11.7 It is recommended that a third-party supplier be used for the next staff survey.
- 11.8 The Board agreed that the survey serves as a benchmark for the Group moving forward and that the results of the survey must be acted upon.
- 11.9 The Board **AGREED** to note the report.

12.0 Strategic Risks

- 12.1 The Group CFO will provide more information at the December 2021 Board.
- 12.2 The Board **AGREED** to note the report.

13.0 Dormant Companies

- 13.1 Provided there are no legacy assets the Board are happy **APPROVE** the dissolution of the companies listed.
- 13.2 The Board **AGREED** to note the report.

14.0 Other Matters

- 14.1 The following matters were discussed:
- The Group Accounts will be reiterated at the December Board.
 - Despite some small challenges the Audit tender process is proceeding well:
 - KPMG are conflicted as they are the Group's internal auditors.
 - E&Y are NCC Auditors – with a cost expectation significantly higher.
 - PWC are willing to continue as the Group's auditors.
 - Relationship with both PWC and KPMG remains good.

- The Group CFO will provide an update at the Board meeting in December on debt payments made and the current position. **ACTION**
- It is noted that the Board will collectively decide on the best solution for Norse.

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

15.0 Project Viking Update

15.1 The CFO provided an update. Highlights include:

- The project is progressing in terms of scoping and capturing of core requirements; however, the challenge is in internal resourcing.
- Conclusion of the RFP process has been delayed. The previous intention was to have the RFP completed by December and commence implementation in January. The latest plan reflects the formal RFP process commencing in December and concluding in mid-April and implantation commencing in Q2 2022 (April-June).
- Indicative costs have been provided and are higher than originally estimated.
- Whilst the conclusion of Project Viking will provide benefits to the Group, the cost burden of this could be difficult to bear if costs are at the higher end of the estimates and may be unsustainable for the Group.
- HR and Time and Attendance are a priority for the CFO, as this is where there are the most gains for the Group.

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

16.0 Board impact

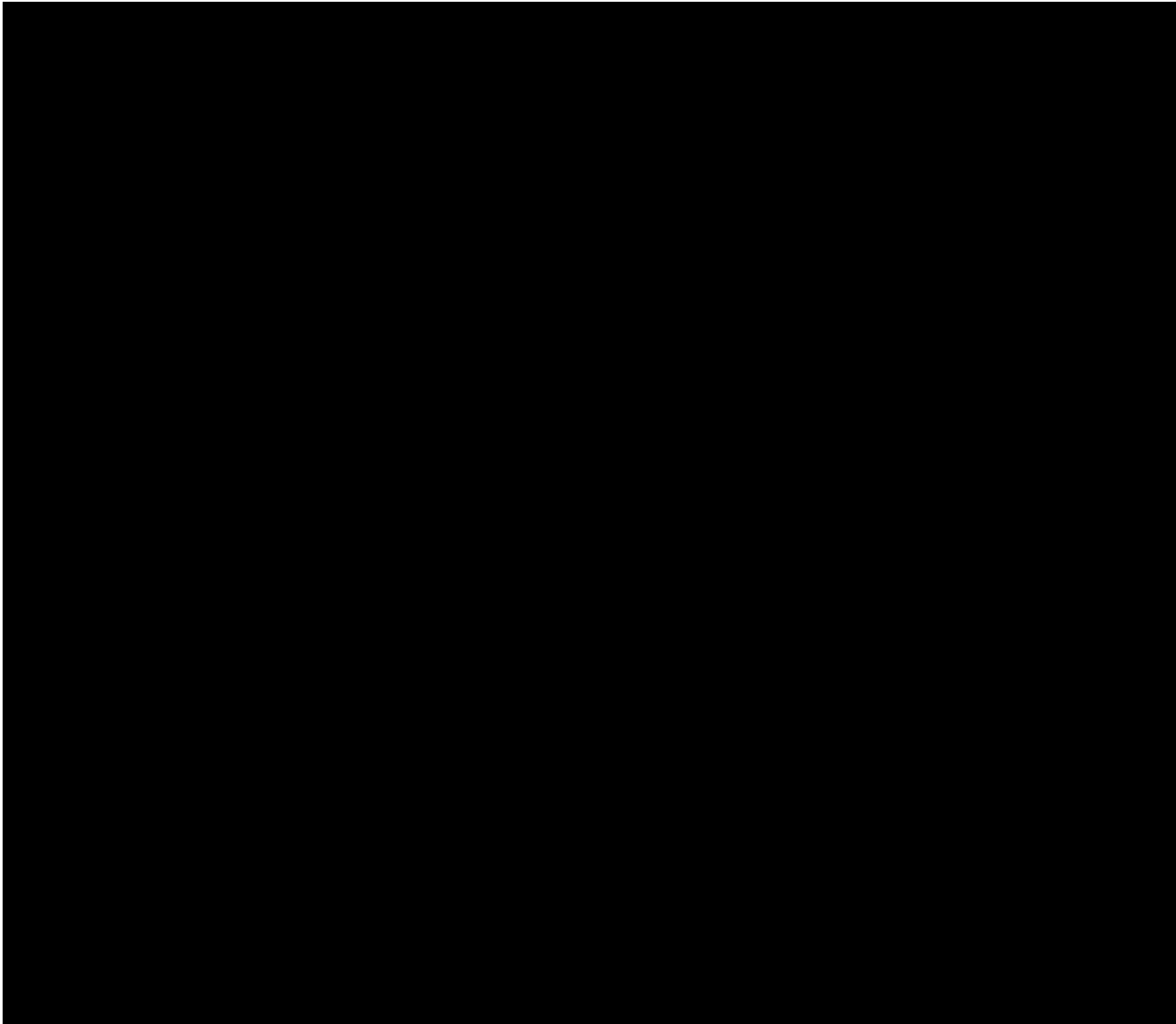
16.2 The Board's role and responsibilities need to be communicated across the Company with visibility of the Board, through the Chair, encouraged.

16.3 Through constructive challenge, engagement and collective leadership, the Board are building a proactive relationship with the Group, leading to its continued success and growth.

17.0 NorseCare Transformation

17.1 NorseCare COO provided an overview.

17.2 NCC and NorseCare are jointly working together and will be able to provide more details of the significant work taking place regarding the transformation project.



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

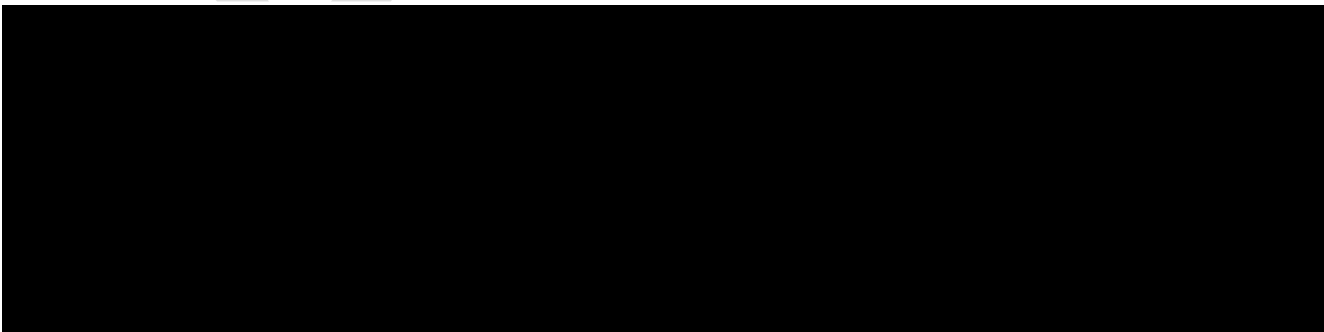
18.0 CRO Update

18.1 Jonathan Mackie, Norse Group CRO, provided an update.

18.2 The following was noted:

- Lack of sales and marketing data available
- Lack of analysis on business leads.
- Implementation of Sales Force is being reviewed.
- No granular detail at sales level.
- Customer acquisition data is out of date and not fit for purpose.

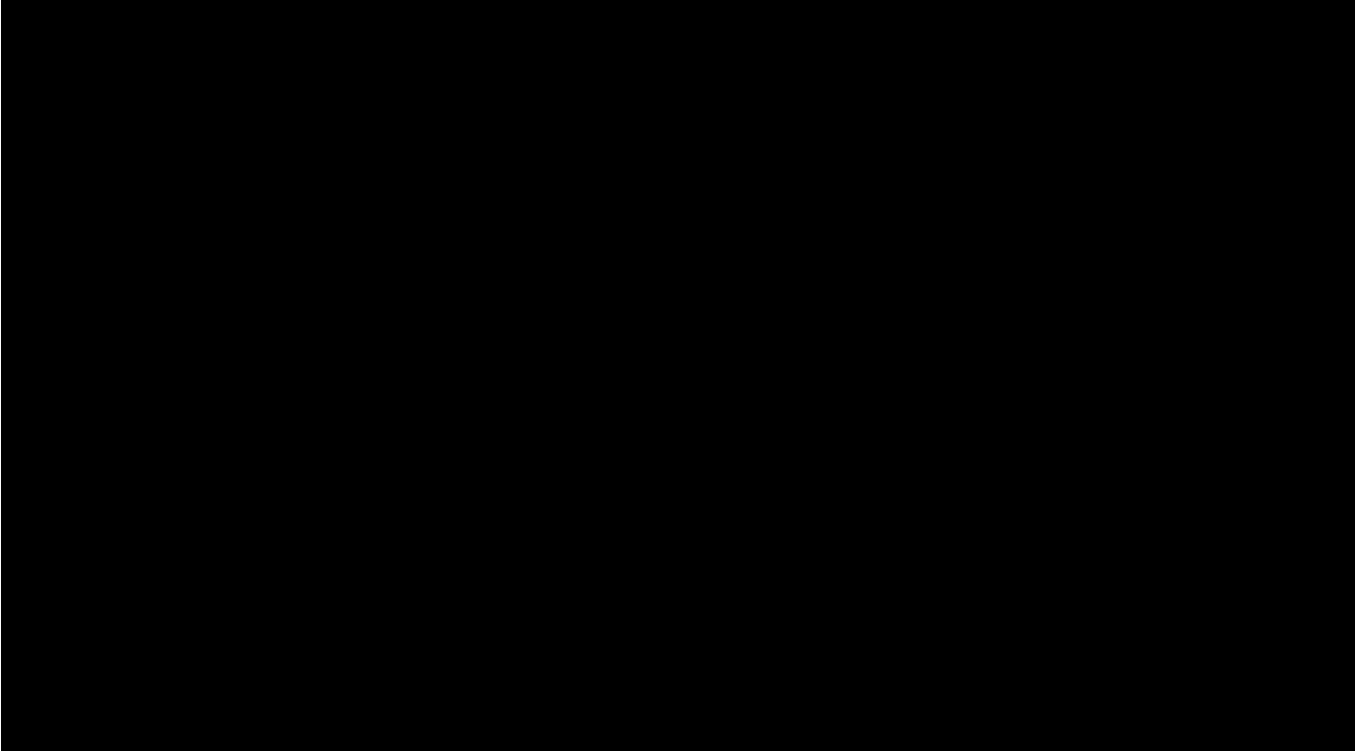
18.3 There is a need for innovation in marketing with a focus on the unique products that the Group offer to ensure we are a commercial success.

- 18.4 Disjointed processes need to be streamlined with Sales and Marketing aligned.
- 18.5 The business needs must be positioned with a controlled and planned marketing approach.
- 18.6 There should be a structured and planned communication strategy – reviewing and understanding digital data and exploiting the data analytics available.
- 18.7 Data and capability development is being reviewed.
- 18.8 Current marketing activity will filter down by the New Year.
- 18.9 It is noted that a successful marketing and sales strategy must be carefully considered.
- 18.10 The Group should develop what is being taken to market and decide if a change in approach is required. The CRO stated that he is currently analysing our current position to enable the Group to reposition. From the data available a successful action plan can be implemented.
- 18.11 Pipeline values will be looked at together with identifiable geographical gaps.
- 18.12 Quick wins for the team include CRM implementation and the alignment of marketing and sales.
- 18.13 The CRO stated progressive growth for the business needs to be at a pace that can be sustained. He is mindful of the nature of the business and where the business is positioned (i.e. local government). Marketing must be focused to the right clients to ensure growth.
- 19.0 The Business Plan and Budget**
- 19.1 The CFO provided an overview, framing the Groups position. It is expected that the business will retract next year in terms of revenues. However, whilst revenue is falling the Group are not in a dangerous position.
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20.0 SHEQ – Challenges and Vision

20.1 The SHEQ director gave a verbal update regarding two current issues with Norse Care.



20.5 The Board confirmed to the Executive Directors that they have, with immediate effect, full authority to take all steps necessary to implement any required changes.

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 16 February 2022.