

**Norse Group Board Conference Call
Held on Wednesday 17 February 2021**

Attendees

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

Also in attendance: - Stuart McWilliam – Group Solicitor, Norse Group Ltd

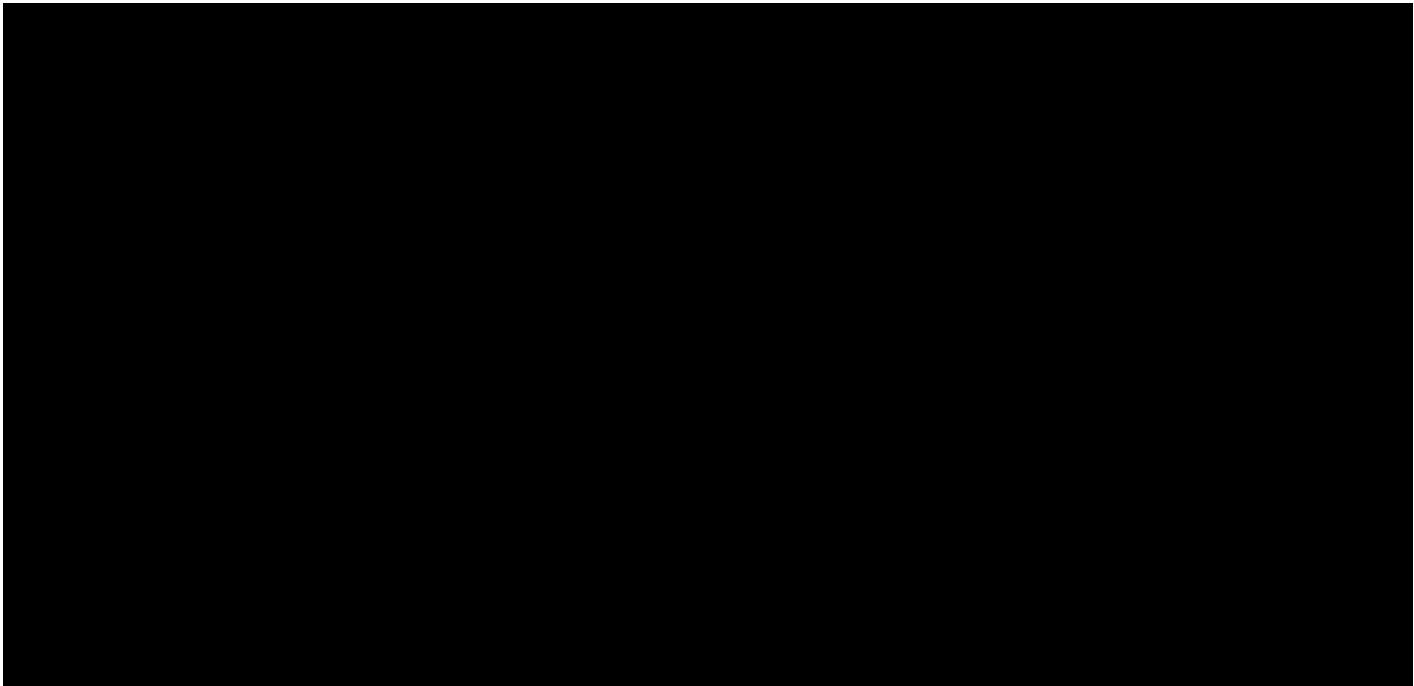
Apologies

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

1.0 Declarations of Interest

1.1 None to report.

2.0 Minutes of the previous meeting.



2.7 The minutes were **APPROVED**.

3.0 Norse Group Chief Executive Report

3.1 The Group CEO provided an update.

3.2 Highlights include:

- Q3 has achieved a trading profit of £4.7m, £2.6m ahead of budget.
- Full year forecast has increased to a retained profit for the year of £1.1m (or £3.1m before IAS19 pension costs) which is £1m ahead of budget.

- The Board are receiving regular updates relating to NEWS and the Covid-19 situation via Teams*. Negotiations with District leaders continues, and the Norse position remains clear.

* It is noted that two members of the Board are not receiving Teams notifications. IT will be contacted regarding this. Sarah Hynd to **ACTION**

- Barnsley JV ends at the end of March 2021. Parties have reached an agreeable position. The projected net effect on Norse will be c£10k, with BMBC picking up c£600k in costs. All external work (c£5m) will be diverted into Infinity a trading arm of Norse Commercial Services.
- Key Sales: Mid Suffolk Growth, Brentwood Borough Council, Royal Borough Kensington and Chelsea

3.3 The Board discussed the best way to access Board papers given the recent difficulties for a couple of Non-Executive directors. To ensure clear and open lines of communication, the Group CEO agreed to provide the Board with the preferred options available to allow the Board to openly communicate and share information. It is noted that all Board papers are currently shared in Dropbox and are always available to Board members upon request. CEO to **ACTION**

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

4.0 Norse Group Q3 Finance report

4.1 The Group CFO provided an update.

4.2 Q3/21 achieved a Trading Profit of £4.7m, £2.6m ahead of budget and considerably stronger than Q2 which had a trading profit of c.£3.0m.

- 4.3 As a result, the full year forecast has increased to a retained profit for the year of £1.1m (or £3.1m before IAS19 pension costs) which is £1.0m ahead of Budget.
- 4.4 NPS Q3 results reflect recognition of £0.9m of additional furlough in relation to Q1 and Q2 – reported in the last Board report. Adjusting for this NPS was still £0.5m ahead of budget for Q3. This is driven by a strong performance in PCL and Leeds.
- 4.5 NCS has continued to be largely in line or ahead of budget in Q3.
- 4.6 NorseCare has seen a stronger performance, mainly through improved private income levels and lower staffing costs, although results continue to be supported by the additional funding provided.
- 4.7 Cashflow for Q3 has fallen, due to a reduction in working capital levels with trade creditors reducing by £7.4m from Q2. Whilst this means that Q3 cash flow is behind budget, it remains ahead of budget for year to date. Q3 saw more outflow of cash due to annual payments and additional payment runs however there is currently no cause for concern.
- 4.8 Managing client expectations within the JVs is paramount, which may see some reduction in year end forecasts as furlough, change costs and client budgets are concluded for the FY21 year.
- 4.9 The Board **AGREED** to note the report.

5.0 Furlough

- 5.1 The Group CFO provided a concise report covering the Groups position in relation to the monies claimed under the Government CJRS. Highlights include:
- Norse have ensured that the Group have complied with the guidance and regulations relating to CJRS.
 - KPMG, as internal auditor, undertook a specific exercise in August 2020 to review Norse's approach. KPMG have stated that Norse's approach is one of the most comprehensive that they have seen, and no material weaknesses were identified.
 - At the end of December 2020, the Group has claimed a total of £7.6m of monies under the scheme.
 - At the end of December 2020 £2.67m of the £7.6m has been released from the balance sheet, £2.1m directly to offset the costs incurred of paying staff whilst on furlough and subsequently another £0.5m to cover income which was not paid by clients. £4.8m remains on the balance sheet.
 - It is expected that some of the remaining £4.8m will be used to fund any shortfall income which would otherwise have been received but has not.

5.2 The Board agreed that the paper presented was helpful and clearly set out the current furlough situation.

5.3 The Board are supportive of the approach being taken by the CFO.

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

6.0 Norse Group SHEQ Update

6.1 A comprehensive report was supplied to the Board.

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

7.0 Norse Group Q3 Business Opportunities Report

7.1 The Group CEO provided an update.

7.2 Q3 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. This is expected to increase during Q4.

7.3 Discussions continue at pace with High Peaks & Staffordshire Moorlands Council and Runnymede Borough Council.

7.4 The Chair stated that it is encouraging to see that local authorities are engaged with the Group and that business opportunities remain.

7.5 Gary suggested that the Group Business Development Director is appropriately resourced to take advantage of the opportunities arising from eco-developments. Dean confirmed that he would speak with Richard Gawthorpe regarding this. [Dean to **ACTION**].

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

8.0 Norse Group People Report

8.1 The HR Director provided an overview.

8.3 A significant proportion of the Group will see a pay freeze. However, there will be some exceptions (employees earning less than £30k will be awarded a 1% increase). This will be reviewed later in the year, with any outcome

subject to the companies financial standing. Whilst the national position is a 0% increase this would have an impact on Care staff. It is noted that the unions are in opposition to a pay freeze and industrial action may follow. Minimum wage rates will be maintained in line with law as well as the differential on those directly managing such.

Brian commented that some companies are looking at fixed sum payments to lower wage staff and that this is something that could be considered by the Group.

8.4 68% of NorseCare staff have been vaccinated and 77% have been offered the vaccine.

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

9.0 Norse Group KPI's

9.1 The Group CFO provided an update.

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

10.0 Norse Group Investment/Activity HIT list

10.1 The Group CEO provide an update.

10.2 Relocation of central admin is on-going. Work has commenced at Fifers Lane to house support services and NorseCare by March 2021. Work is underway for NPS PCL to move to the IAAN by May 2021.

10.3 There are no significant updates regarding the NorseCare contract with NCC however discussions remain positive. NorseCare COO will provide an update at the next Board meeting. [NorseCare COO to **ACTION**].

10.4 Simon Hardwick recently joined the Group CEO on a call with NCC Commissioners. This was a good collaboration and positive discussions were had.

10.5 All Hallows continues to struggle financially. Losses are greater than original projections (CV19 related). Options are being considered. These will be presented to the Investment Committee.

10.6 Further meetings have taken place regarding Build Insight. The position of South Norfolk continuously changes, with varying inputs. Further consideration is being given to how Norse exit.

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

11.0 **Norse Group Covid Update**

- 11.1 Norse have mobilised a team for lateral flow testing across Norfolk.
- 11.2 Norse Group have reported via RIDDOR, 12 CV19 non-fatal confirmed cases and 1 fatal case.
- 11.3 As at 9 February 2021, 584 staff are on furlough, 68 staff are on flexible furlough and 166 staff are shielding.
- 11.4 Linden Court Care Home reported an outbreak after resident vaccinations. This is a concern and is being investigated further.
- 11.5 17 homes currently have 'outbreak's' (per PHE definition) and 4 homes have 'significant outbreak's' (NorseCare internal definition).
- 11.6 The Chair noted that there is constant outbreak management within the Care homes whilst the vaccine is being rolled out.
- 11.7 It was suggested that information gathering relating to outbreaks should be conducted to monitor trends and patterns that can be used within NorseCare.
- 11.8 It is noted that the Norse Board thanked everyone at NorseCare and across the Norse Group for their hard work during the pandemic.
- 11.9 The Board **AGREED** to note the report.

12.0 **Strategy Implementation Update.**

- 12.1 It is noted that the Norse Board are impressed by how the Strategy Implementation Plan and the Business Plan are presented and progressing. The numbers feeding through to the business is encouraging.
- 12.2 The Group CEO confirmed that several CRO candidates have been shortlisted and first round interviews will be held week commencing 22 February 2021. Some members of the Board will participate in the second-round interviews.
- 12.3 Pay and Rewards will be reviewed, however the CEO stated that this will need to be managed when the time is right.
- 12.4 Deadlines have been amended due to Lockdown 3 and the ongoing CV19 situation.
- 12.5 The Chair noted that the Group need to be aware of what is achievable within the timeframes and deadlines set. Whilst there is enthusiasm, the

Board need to be realistic in what can be achieved. Staff well-being must also be considered.

13.0 Project Viking Update

13.1 The Grant Thornton proposal for Project Viking was presented to the Board.

13.2 The Senior Team are currently reviewing and working through the first three steps of the roadmap. Following this, Grant Thornton will form a clear view of the next stages of the process.

13.3 Core systems are predominantly being focused on. Data gathering is near completion.

13.4 The CFO stated that in the coming weeks:

- Conclusions and recommendations will be received from Grant Thornton
- Likely full costs of the project will be quantified
- Proposed timeline and roadmap will be outlined

It is noted that solutions identified will be for the Group as a whole.

13.5 The Chair is encouraged by the Grant Thornton report and asked that further updates be provided as appropriate to the Board CFO to **ACTION**.

13.6 It is noted that Project Viking is complicated, however there should be an element of caution on how far the Group proceed with Grant Thornton in completing the project to fruition. There needs to be a balance between having Grant Thornton assist the Group but not lock Norse out of having an alternative provider support the next stage if it is felt appropriate to do so. The CFO confirmed that the initial phase was structured to ensure that the Group have an option to bring in another provider after the first stage, if required.

13.7 Senior Management need to be mindful of resource requirements and resource allocation to achieve the plan.

14.0 Norse Group Budget / Business Plan

14.1 The Group CFO provided an overview of the Budget / Business Plan.

14.2 BUDGET

14.2.1 The Group's budgeting process takes the initial assessments for FY22 (used as the basis of the Business Plan submitted to NCC) and continues to refine these, as well as ensure JV partner engagement and approval regarding the final position.

The end conclusion is that the FY22 budget has concluded slightly ahead of the Business Plan.

- 14.2.2
- NCS has been able to further improve its projections, with a stronger performance in wholly owned areas further aiding retained profit.
 - NorseCare, with a longer period of recovery expected, especially around private income, has fallen back slightly.
 - NPS has seen a reduction with several JV's reducing income expectations but costs being managed to offset this and overall % margin improves from 5.4% in FY21 to 6.5% in FY22, combined with a reduction in management charges which has seen an equivalent impact within the Support areas of the Group.

14.2.3 Several key elements within the budgets are however worth noting:

Revenues

- NEWS commodity prices remain one of the largest elements of volatility - current basket £41/tonne vs £38.5 budgeted, difference equates to £215k (+/- £500k+ impact).
- Care private income sales struggle to recover (c.£400k impact –50% of increase in income).
- NPS revenues continue to have uncertainty but consultancy continues to be targeted at 20% to allow for flexibility.
- No material new JV's or contracts have been assumed within the plan, although discussions are ongoing regarding High Peaks amongst others.

Costs

- Pay awards are reflected in the budget (2.25% non-NJC, 2.75% for NJC) but the business is not proposing any pay award for staff earning more than £30k per annum (c.£2m+ benefit). In the event the business is outperforming its expectations it may look to make the award retrospectively to staff, but no promises or commitments to this effect are being made.
- Should Covid requirements be significant from April onwards – the potential impact on Care without additional government support would be significant (+£500k impact).

14.2.4 No major growth projects are factored into the Budget however this is an opportunity within the year should anything commence.

14.2.5 FY21 has been a hold on most capital requests following the initial cost mitigation measures, but still a reasonable volume of spend has been required to renew assets (£5.1m).

14.2.6 Whilst the NCC and Shareholder review of the Budget and Business Plan has taken place, it is noted that the Norse Board are included in the cycle of reviews and approvals.

- 14.2.7 It was questioned whether interim numbers could be produced for NCC and the Shareholder with a caveat that numbers should be finally signed off by the Board.
- 14.2.8 It is noted that Cabinet sign-off, of the Business Plan and Budget, is driven by the Cabinet timetable and this does not always fit in with the Group's business timetable.
- 14.2.9 It is noted that Norse must be clear with the Shareholder on when the Budget and Business Plan can be presented.
- 14.2.10 It is confirmed that the Group comply with the process set out by Cabinet.
- 14.2.11 The Chair noted that she would discuss the alignment of processes with NCC.
- 14.2.12 The Group CFO stated that he is not in favour of signing budgets prematurely.
- 14.2.13 Based on what has been presented in the Budget (with headroom and assumptions made), the Norse Board **APPROVE** the 2022 Budget.

14.3 **BUSINESS PLAN**

- 14.3.1 The overall projections for the Business Plan reflect a turbulent ride in terms of revenues, but one of overall growth longer term albeit the business largely remains at c.£350m of revenues. Margins steadily improve, aided by the focus on the targeted returns and the mix of business.
- 14.3.2 JV rebates reduce as the JV's reach the end of their terms and are not renewed. The natural life cycle of the JVs (excluding the more commercial areas) means that by FY26 Norse would reduce to c.£250m revenues without securing renewals or new contracts. Renewals are expected to retain £116m by FY26 of existing JV revenues.
- 14.3.3 It should be noted that FY20 was a good year and a better position than expected with rectification of some business issued and one-off gains when comparing to the budget for FY22.
- 14.3.4 Highways is an area of strategic growth that can result in good margins. Whilst potential cuts in this area was raised, the Group CEO confirmed the business is not aware of any specific cuts as may have been reported by other councils
- 14.3.5 It was suggested that areas of growth, business margins and business mix is reported, so that focus can be placed on where a profit can be made and what area is under performing.

- 14.3.6 It was recommended that a quarterly update regarding KPIs is produced to review and discuss.
- 14.3.7 Brian McCarthy noted that the KPIs are a good baseline to set performance targets with delivery of targets linked to remuneration. This should be considered by the RemCom.
- 14.3.8 Looking at a decline in revenue for NPS, Simon Hardwick stated that focus needs to be placed where revenues can be achieved. Identifying customer needs and tailoring solutions to customers issues should be identified. It was suggested that the Business Plan articulate that the Group, particularly NPS, offer a tailored service to identified client needs rather than simply focused on its selected chosen services and nothing else. The Group CFO confirmed that evolution of the services was expected but should be made more apparent within the business plan.
- 14.3.9 Energy Consulting with a Green focus is a growth area and NPS should continually look at market opportunities for key clients in this sector.
- 14.3.10 It was recommended that once a CRO has been appointed a session is held with the Board to discuss where business development should be focused. CEO to **ACTION**.
- 14.3.11 The Chair stated that she was satisfied with the Budget and Business Plan and that Project Viking is an important project to invest in. The Board noted the progress on the Business plan development and asked for regular updates CFO to **ACTION**.

15.0 Impairment Considerations

- 15.1 The CFO provided an overview.
- 15.2 As part of the annual process of considering whether there is any impairment event required to be considered during FY21, a review of all material assets of the Norse Group was undertaken, including goodwill, existing plant and machinery, and properties. Each of these areas have been reviewed and discussed at the Audit Committee.
- 15.3 It is the Board's **RECOMMENDATION** that the Group continue with an historical cost approach to the impairment of assets.

16.0 Norse Group Gender Pay Report.

- 16.1 After a review of the Gender Pay Report the following was noted:
- The cover photo will be updated
 - The list of services the Group offers will be updated
 - The report's data is at April 2020

- 16.3 To make progress managing the Gender Pay issue, targets need to be agreed and practical and realistic/deliverable improvements need to be identified and actioned. Systems alignment across the Group is also being reviewed to assist with this given the difficulty in accessing the data currently.
- 16.4 The Board **ACCEPT** the Gender Pay Report; however, it was recommended that RemCom have an oversight of progress. HR Director to **ACTION**.
- 16.5 The Group CEO stated that practical steps should be looked and can be made to encourage more females into male dominated roles.
- 16.6 The Board **AGREED** to note the report
- 17.0 Board Effectiveness**
- 17.1 The Chair provided a report on Board Effectiveness.
- 17.2 Work remains on-going relating to Compliance and Behaviour and skills.
- 17.3 Transparency feeds into work already undertaken on the Business Plan and Group Strategy.
- 17.4 It was recommended that succession planning of the Non-Executive Directors is considered and should be included in the report. [Chair to **ACTION**].
- 17.5 The Chair will provide an updated report at the next Board meeting. [Chair to **ACTION**.]
- 17.6 The Board **AGREED** to note the report
- 18.0 Norse Group Anti-Theft, Fraud and Corruption Policy**
- 18.1 The Norse Group Anti-Theft, Fraud and Corruption Policy is reviewed annually and updated as required. There are no material changes to the report.
- 18.2 It was recommended that, going forward, a summary is provided with the report to identify any changes required or made.
- 18.3 The Board **AGREED** the policy.

19.0 Norse Group Whistleblowing Policy and Procedure.

19.1 The Norse Group Whistleblowing Policy and Procedure is reviewed annually and updated as required. There are no material changes to the report.

19.2 It was recommended that, going forward, a summary is provided with the report to identify any changes required or made.

19.3 The Board **AGREED** the policy.

20.0 Norse Group Restructure – Second Stage

20.1 As previously agreed by the Norse Board, the NPS Group has been restructured to establish Norse Consulting Group Limited to hold the Group’s various professional consultancy companies.

20.2 The final stage of the restructure is to transfer the various subsidiaries from NPS Property Consultants Limited to Norse Consulting Group Limited or Norse Group Holding Limited.

20.3 Approval has been obtained from each subsidiary board subject to the transfer, and where required from the subsidiary’s minority shareholder.

20.4 The board is asked to authorise the final stage of the NPS restructure. The Board **AGREED** to the NPS restructure.

20.5 It is proposed that Norfolk Environmental Waste Services Limited should be transferred to Norse Group Holding Limited, given that this company is predominately an investment company.

20.6 The Board is asked to authorise the transfer of Norfolk Environmental Waste Service Limited. The Board **AGREED** to the transfer of Norfolk Environmental Waste Services Limited.

21.0 Recommendations for Director Appointments

21.1 The following Director changes were proposed:

Company	Current Director	Recommended Appointee
Norwich Norse (Building) Limited	Kevin Wright	John Burwell
Uttlesford Norse Services Limited	n/a - inaugural OD Appointment	Kevin Wright
Amber Valley Norse Limited	n/a - inaugural OD Appointment	Andrew Beighton

Norse Consulting Group
Limited

n/a - inaugural director
Appointments

Nick Frogbrook,
Fiona McDiarmid and
Andrew Proctor

21.2 The Board **RECOMMEND** seeking Norfolk County Council's approval to the appointments of the directors of the subsidiary companies set out above.

22.0 AOB

22.1 2021/22 Full Year Board Planner to be produced to also include statutory reporting dates. [Sarah Hynd to **ACTION**].

22.2 The Board thanked the Executive Team for their response to the pandemic whilst the Group transformation is taking place.

22.3 The Chair and Board thanked Karen Knight for her service to Board and her support to the NorseCare management team and wished her well in her retirement.

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 12 May 2021.