

Norse Group Q3 2021.22 Board Conference Call Held on Wednesday 16 February 2022

Attendees

- Andy Wood - Chair, Non-Executive Director
- Andrew Proctor - Non-Executive Director, Norfolk County Council
- Simon Hardwick - Non-Executive Director, Norse Group Ltd
- Brian McCarthy - Non-Executive Director, Norse Group Ltd
- Justin Galliford - Interim CEO, 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
- Helen Edwards - Director of Governance & Monitoring Officer
Governance Department, Norfolk County Council

Also in attendance:

- Stuart McWilliam - Group Solicitor, Norse Group Ltd
- Lisa Mugham-Gray - Marketing & Communications, Norse Group Ltd

Apologies

- Lord Gary Porter - Non-Executive Director, Norse Group Ltd

It is noted that this is the Chair's inaugural Norse Group Board meeting.

The Chair welcomed all to the meeting and stated that he is looking forward to working with Norse at this exciting time of transformation.

The Chair and Executives have been focused on the stabilisation of the business and the hiring of a CEO, CFO and other senior executives. It is expected that candidates will be interviewed in the coming 7-8 weeks, however, the notice period for selected candidates could be as much as 12 months.

The Chair stated that he has seen talented and dedicated staff at Norse and that the Group must harness this enthusiasm and commitment.

1.0 Declarations of Interest

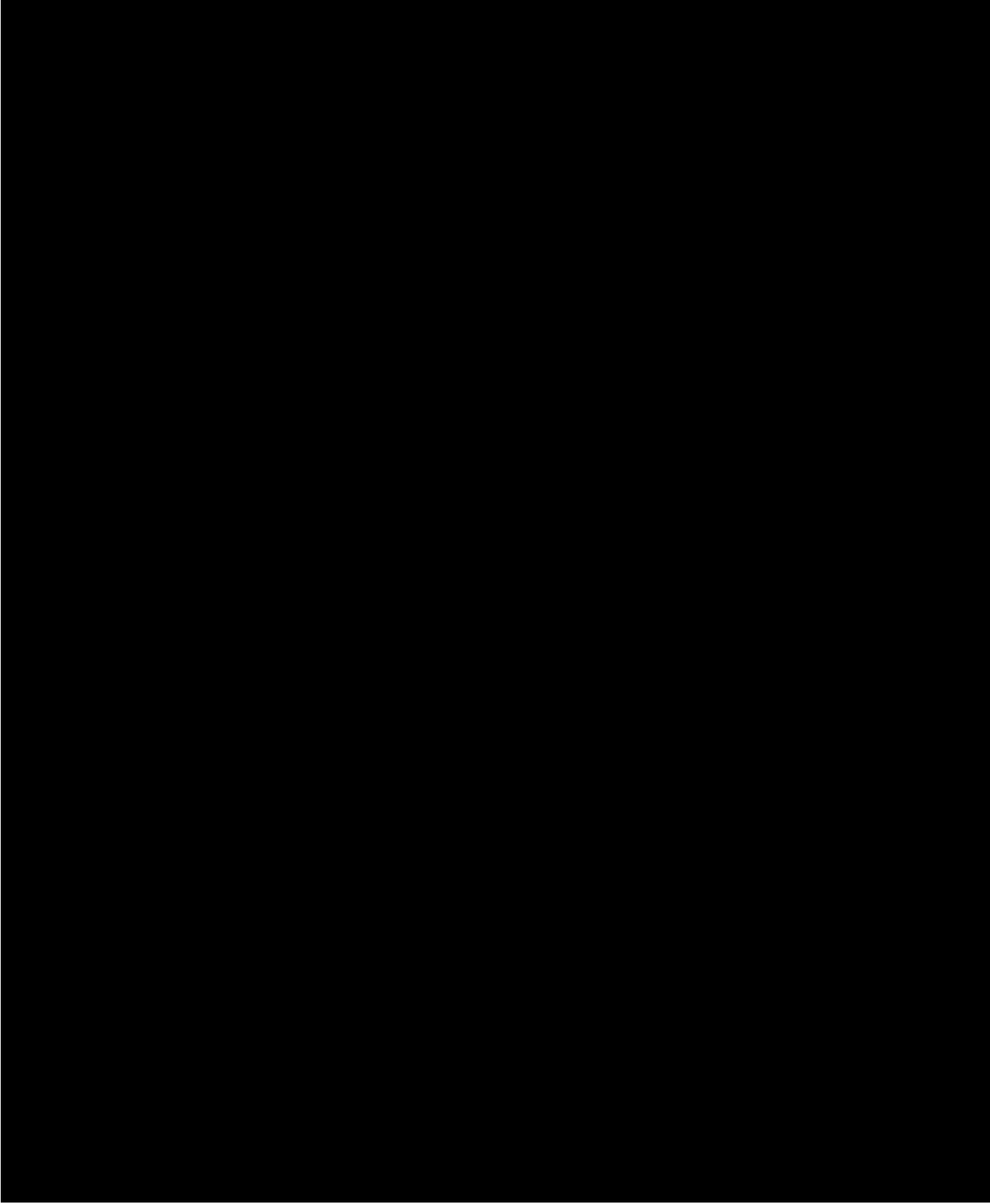
1.0 None to report.

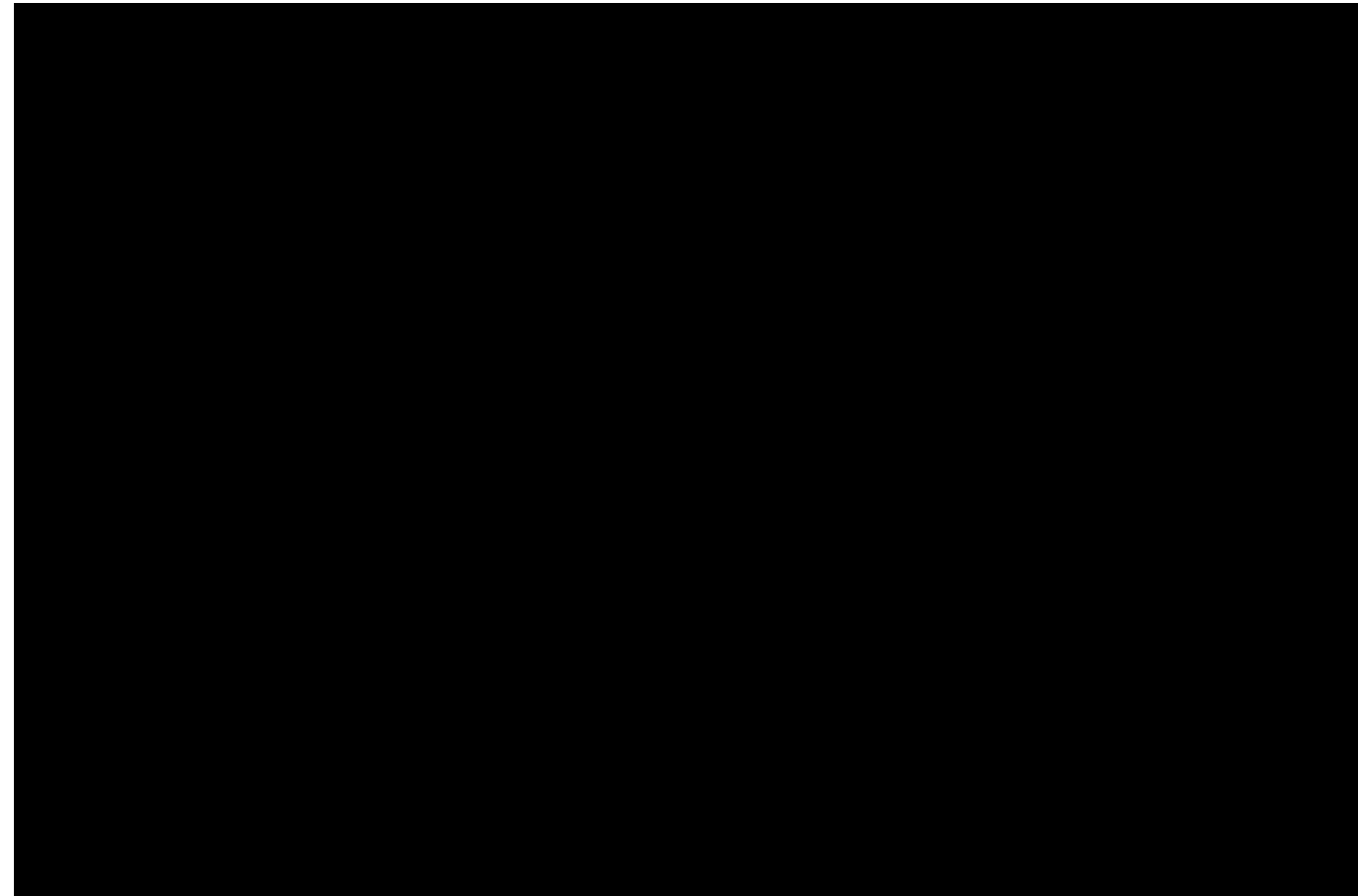
2.0 Minutes of the previous meeting

2.5 The minutes were **APPROVED**.

3.0 Norse Group Action List

- 3.1 A regular Norse Group Communications and Marketing report is to be included, as a separate paper, in the Board papers. **ACTION: Delivery Date - March 2022 Board Meeting.**





4.0 Chief Executive Report

- 4.1 The interim CEO provided an update, highlights include:
- Q3 FY22 achieved a trading profit of £2.9m.
 - Staff shortages continue to challenge operational delivery across most parts of the Group.
 - Jamie McDonald is overseeing NorseCare, whilst a COO is recruited and appointed.
 - Second stage NorseCare COO interviews have concluded; however, the Group will not be pursuing any of the candidates.
 - Director of Care appointment is expected to be made soon.
 - Customer Relationship Management – there is a sense that the Group, over some time, have not been managing customers and this must be addressed. The Group must proceed with recruitment in this area.
 - The revised Devon joint venture continues to progress. Devon County Council have approved the proposals and an Operations Director has been selected.
 - High Peaks and Rochford JVs have been approved by the Councils.
 - Following the Rochford JV, Brentwood Borough Council are holding discussions with Norse regarding a similar operation.
 - NEWS – the District Councils have agreed, in principle, with a way forward (guaranteeing profit for NEWS and giving the District Councils better than market commercial arrangements until 2027). Legal advice is being sought by the District Councils.

- Maintaining staffing levels in NorseCare remains a challenge.
- All Hallows recently received a 'Good' rating from CQC which is encouraging.
- To ensure staffing levels and an improvement of care, the removal of residents from Mayflower continues.
- Infection Control funds from the Government will cease in March 2022.
- Norse Consulting continued to under-perform against budget during Q3, reporting a trading loss of £136k. Whilst the significant driver for this was a lack of capital projects being commissioned/progressed, it must be acknowledged that economic pressures driving this uncertainty looks set to remain into the next financial year.
- Management is reviewing leadership and overheads within Norse Consulting and are considering a restructure within PCL.

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 It was questioned whether the Group have an industry benchmark that can be used to compare sectors and competitors. CFO and HRD will look to obtain this information.

ACTION: Industry Benchmark information to be obtained by CFO/HRD Q4 Board Meeting (May 2022).

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:

- Q3 FY22 has achieved a trading profit of £2.9m - £0.9m ahead of budget and lower than Q3 of the previous year.
- NCS revenues are slightly up on those budgeted with the performance of Barnsley Norse, Devon Norse, FM and Highways being particularly strong.
- Care sales are slightly down in Q3 due to lower occupancy.
- Exceptional items are included in the current forecast relating to Project Viking (£0.4m) and the impairment of two assets; IAAN (£3.7m) and goodwill relating to HBS (£2m).

During the ensuing discussion the following points were raised:

- It was recommended that the Group strategically look at the balance sheet in comparison to market competitors whilst recognizing that Norse are a public sector supported company.
- Credit Risk for the Group could become an issue.
- Discussions continue with Simon George regarding recapitalization.
- There is some concern regarding Norse Energy (responsibility and ownership of property), and this will be examined.
- It is recognised that volatility within the market is impacting Norse Consulting.

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

7.0 **SHEQ Update**

7.1 The Interim CEO provided an overview.

During the ensuing discussion the following points were raised:

- Analysis should be conducted to ensure that the thorough data provided in the report is used in an efficient way, prevents incidents reoccurring and help shape the 3-year SHEQ plan.
- Brian stated that he would review what should be reported in the SHEQ report.

ACTION: Brian to review SHEQ report.

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

8.0 **Group Business Opportunities**

The Interim CEO provided an update. Highlights include:

- Salesforce CRM system is agreed, implementation will commence in February 2022. Phase 1 to be completed by April 2022.
- NCS and Norse Consulting bid teams will be integrated, with a re-structure underway.
- Q3 has seen a return to normal (pre-Covid) levels of tender opportunities for both commercial and professional services.

During the ensuing discussions the following points were raised:

- There is no standard process for Norse Consulting to pursue opportunities within a frame of work and this is something that the Group should consider.
- Customer Relationship Management must be promoted and encouraged.
- There should be an alignment of clients and the services we offer.

- The Group are reviewing the current 50/50 split arrangements with JVs.

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:

- Alliance Norse Limited – a new facilities management and housing repair joint venture – first draft documentation has been shared with the Council. There are also discussions ongoing regarding the possibility of a short term (3 month) contract to provide cleaning and catering services prior to the commencement of the JV).
- NEWS – The districts have engaged a different set of lawyers to review the extension.
- An annual high-level review and update of terminology of the following Group policies has been conducted – Anti-Fraud, Theft and Corruption Policy; and Whistleblowing Policy.
- Mills and Reeve have reviewed Norse Consulting standard terms and conditions and have produced a refreshed set of templates for consideration.
- Nick Maddox will replace John Burwell as a Director of Uttlesford Norse Services Limited and Alliance Norse Limited.
- Audit Committee Terms of Reference are being reviewed with an update to be provided at the next Board Meeting.
ACTION: Audit Committee Terms of Reference to be amended and presented at the March Board meeting 10 March 2022.
- Helen Edwards and Stuart McWilliam are holding regular meetings and are reviewing the structure of The Group and its companies. Where the CEO sits within the Group and management of the position requires clarification.
- Map of Governance structure needs to be simplified with a timeline of progress made. Clear objectives need to be set and deadlines met.

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

11.0 People Report

11.1 The HR Director provided an update. Highlights include:

- The Group continues to face staff shortages, with a significant number of staff leaving the business within the first year of employment. A review of the recruitment process will be conducted.
- The recruitment of four Senior appointments is taking up a considerable amount of the HRD's time.
- There is an increase in the number of employment tribunals.
- Improving the quality and competency of Management is being addressed with training and development.

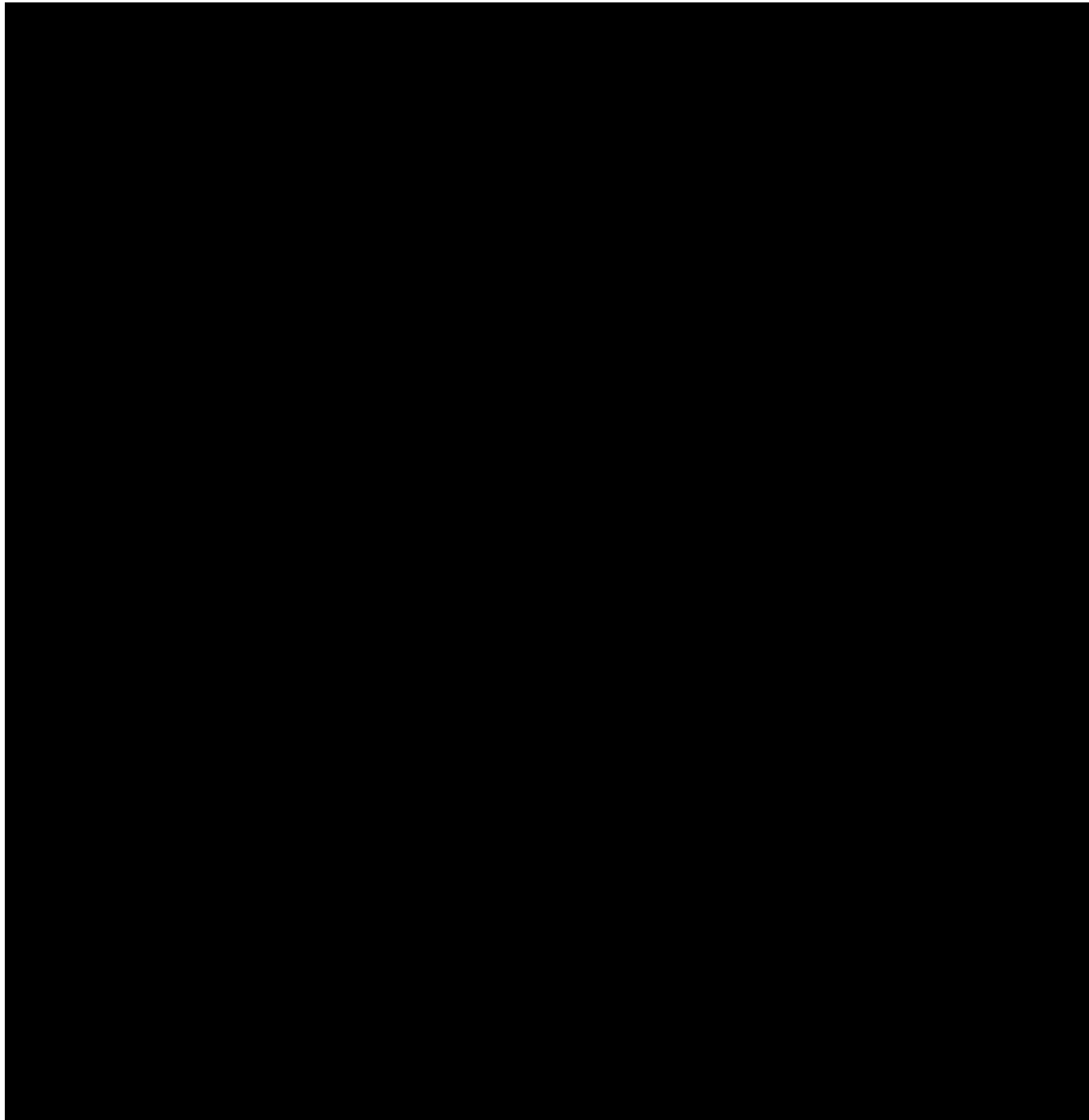
- With regard to whistleblowing, a review will be undertaken to see whether there are any themes in the reports.

It is noted that the Board are encouraged by some of the responses provided in the staff survey results.

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

12.0 **Forecasts and Impairments**

12.1 As part of the annual review process, an assessment of the Group's assets and any potential impairment is carried out.



13.0 Budget

13.1 The Group CFO presented the Budget. Highlights include:

- Key changes to the Budget presented in November 2021 are identified in the amended plan. £16.1m of additional revenues are listed.
- Rebates to JV partners has increased as a result of a revision to the expected profit sharing within NEWS, but also the movements in areas of the business which has driven the £0.5m increase in these rebates.
- Historically Business Support performs well financially, however it is not clear if this can be sustained.
- Consulting margins remain significantly lower than desired. The Group are addressing these challenges.
- Investment in Project Viking will be required. The benefits of the investment will see significant cost savings.

During the ensuing discussions the following points were made:

- It was stated that this is an achievable Budget and addresses the challenges facing the Group.
- Staff pay awards are a challenge with National living wage at 6%
- Emphasis should be on profitable income.

The Board **AGREE** and **APPROVE** the Budget.

14.0 Business Plan

14.1 The Group CFO presented the draft Business Plan.

During the ensuing discussions the following points were raised:

- There are two elements missing from the Business Plan:
 1. People – management training must be embedded in the Business Plan
 2. Customers – Business Plan must be clear in how customer relationships are managed.
- This Business Plan appears to be more realistic proposal than previously seen.
- There should be more coverage of NorseCare and the vision for NorseCare.
- Revenue decline commentary should be amended.
- An abridged version of the Business Plan will be presented to the Norfolk County Council owned companies Governance Panel.

The Board recommend proceeding with the Business Plan subject to the recommended amendments.

15.0 NorseCare Transformation Update

15.1 Following the presentation of the NorseCare Transformation paper the following points were raised:

- Andrew Proctor, James Bullion and Justin Galliford are in communication regarding the transformation.
- At present, there does not appear to be a centrally focused team to manage the process of the NorseCare transformation.
- The communications plan and workstream must be communicated to NCC as the Commissioner is heavily involved in the project and will want sight of every action.
- Deadline of 05 April when a consultation in each home will commence.
- Staff and resident notification must be managed well.
- Positive messaging surrounding the home closures must be maintained.
- The contract with NorseCare requires a consultation on the estate – Helen Edwards will liaise with Stuart McWilliam on the contract.

- Impact of the transformation and the effect on the NorseCare business must be considered.
- A business need is driving this project.
- NCC are keen to fully follow the statutory rules around the consultation.

- NCC must provide a guarantee that alternative homes will be provided.
- Consideration must be given to residents, and their families, who may object to moving homes.
- Geographical location and resettlement of residents must be considered.
- NorseCare and NCC must be aligned.
- It is noted that James Bullion could provide a resource of Director of Care to assist with the process.

The following recommendations were made by the Board:

- Formation of a NorseCare panel, to meet monthly and manage the transformation project to include Andrew Proctor, James Bullion and Justin Galliford.
- Graham Bunting to provide a feasibility study on provisions for moving residents to alternative accommodation.
- Helen Edwards to provide clarification on consultation.

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

16.0 Springdale Proposal

- 16.1 An initial appraisal of the potential new build care home (Springdale) was presented. The following points were raised during the ensuing discussions:
- Simon Hardwick would like to review the business case and broader structure of the proposal. Details of the lease should also be included.
 - Clarification on the business case, funding and financing surrounding Springdale are to be presented to the Norse Board. **ACTION** to be presented at May 2022 Board
 - Identify where the design and build risk sits and review whether this is suitable for the Group.

A clear proposal must be presented to the Norse Board before a recommendation can be made.

18.0 Pension Assumptions

- 18.1 The Group CFO provided a verbal update:
- ISIO will be advising on pension valuation in April 2022.
 - Triannual evaluation of the pensions will affect the April 2023 payments.
 - Challenge for the Group is that it does not have its own pension fund and therefore the Group's influence on the Norfolk Pension fund is very small.


19.0 AOB

- 19.1 KPMG will continue as Internal Auditors for the next 12 months.

19.2

The Audit Committee Chair will look into the appointment of an additional member of the Audit Committee.

I declare that these are the agreed minutes.

Chairman: 

Date:

DRAFT