

**Norse Group Board Conference Call  
Held on Wednesday 12 May 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   |
| Simon George     | - | Executive Director Finance and Commercial Services,<br>Norfolk County Council                |
| Helen Edwards    | - | Director of Governance & Monitoring Officer<br>Governance Department, Norfolk County Council |

**Apologies**

None received

The Chair welcomed all to the meeting and congratulated Cllr Andrew Proctor and Cllr Karen Vincent on their recent local election wins.

**1.0 Declarations of Interest**

1.1 None to report.

**2.0 Minutes of the previous meeting.**

2.2 Item 9.0 Council Relationship Agreement. The Group CEO has shared with the Board a draft copy of the Council Relationship Agreement. The Chair stated that she has some small comments to add and will contact the Group solicitor regarding these.

2.3 The minutes were **APPROVED**.

**3.0 Norse Group Chief Executive Report**

3.1 The Group CEO provided an update.

- 3.2
- Full Year retained profit for the Group is £1.2m
  - Trading profit for the year is £15.4m
  - All three business divisions are expected to have a retained profit for FY21
  - C.£1m paid in top up to staff on CJRS to ensure pay remained at 100%
  - Furlough scheme has been used appropriately to retain jobs

3.3 Key operational updates were provided, highlights include:

- PI Insurance – Due to a change in PI Insurance the Group have received challenge from three JV Partners: Devon, Leeds and Norfolk County Council. The Group are currently seeking quotes for an additional £5m LOI layer specifically for those that have challenged.
- Fluff Litigation – KPMG have advised that the CoA has found for HMRC in the fluff litigation appeals. A potential appeal is mounting.
- Covid-19 – During Q4 the Group have been involved in the introduction of a vaccination bus across Norfolk and Suffolk. Norse provided the bus, fit-out and driver.

3.4 Key sales updates were provided:

- During Q4, Commercial services tenders have returned to normal levels however professional services remain around 40% down.
- High Peaks and Staffordshire potential JVs remain positive.
- Twelve-month extension of London Luton Airport property support consultancy services, annual value of c.£100k in fees.
- Award of Medway SEN transport with an annual value of c.£1.2m

3.5 Risk Review day scheduled (28 June 2021) to consider proposed strategic risk.

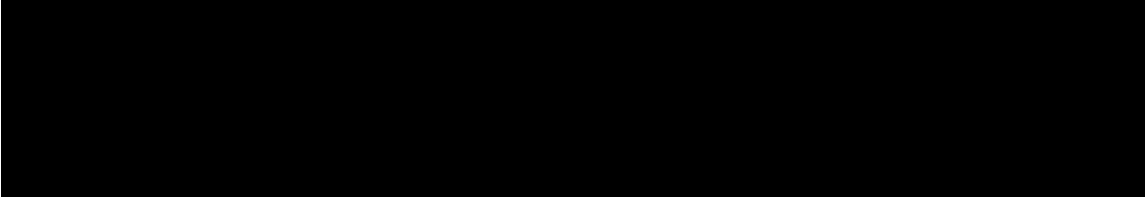
3.6 The Board were notified that there is fatigue within Senior Management and the wider teams.

3.7 The Norse Group Senior Management Team will take part in the Three Peaks challenge in September 2021.

3.8 Senior Management appraisals are complete. The Group CEO, stated that the Management team, have worked extremely hard during the difficult past 12 months. Commitment, openness and challenge are demonstrated, as is the team's willingness to further develop and create a great future for the Group.

3.9 The Chair and the Board recognised and congratulated the team for all their hard work during the challenging prior 12 months and recognised the current level of fatigue.

3.10 During the ensuing discussions the following points were raised:

- 
- Whilst recognising that the team are fatigued and under pressure, Brian wanted assurance that there is enough resource to ensure project delivery. In response the CEO stated that project resources have been reviewed within Norse and additional resource will be required as the plans are confirmed. Currently resources are being pooled across the Group to deliver projects where possible. The CEO confirmed that he plans to bring a revised project overview and resource requirement to the July meeting. **CEO to Action**
  - COG meet weekly to discuss and monitor resources across the group, and have supplied the board with documentation in regards to how projects are progressed.
  - The CFO stated that COG is fully aware of the resource challenges.
  - The Chair stated, if resource investment is needed and deemed appropriate, the Norse Board will support Norse Management in providing this.
  - Shareholder meetings have been scheduled.

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

#### 4.0 **Group Key Performance Indicators.**

4.1 The Group CFO provided an update on the Group KPIs.

4.2 During the ensuing discussion the following points were raised:

- The Board are happy with the format of the report.
- Employee survey results should be shared with the Board. The CFO stated that these will link into the Strategy KPIs.
- The staff survey is wide reaching; however, questions will be targeted to ensure that the correct data is received.

4.3 The Chair stated that the KPIs are useful and focused, however it would be beneficial if underlying detail behind the numbers was also provided. During the June strategy day, a review of the KPIs will be undertaken to finalise a format to use.

4.4 It was suggested that a sensible approach should be taken when reviewing the KPIs and that the Board should consider, prior to the June strategy day, what information the KPIs should reflect and how this is tracked.  
**Board to ACTION:** Consider KPIs prior to the June strategy day.

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

## 5.0 Norse Group Q4 Finance report

- 5.1 The Group CFO provided an update.
- 5.2 Q4/21 achieved a Trading Profit of £7.6m, £5.2m ahead of budget and considerably stronger than Q3.
- 5.3 Trading profit for the Full Year is £15.4m, which is £1.5m better than forecasted in P11 and £6.3m better than budgeted, as well as £2.7m ahead of FY20. This reflects a very strong performance from the business over this period despite the challenges the pandemic has brought.
- 5.4 All three businesses are expected to have a retained profit for FY21. It was agreed by the Board that this is a great achievement and a positive result.
- 5.5 NPS had a strong finish to the year. In the final quarter they delivered £1.2m of profit, this was £1.4m higher than budget.
- 5.6 NCS has traded ahead of budget in Q4. Marsham has been impaired by £4.4m during the year which is reflected within exceptional items. The NCS main trading profit is therefore a profit of £4.6m in Q4 (£2.6m ahead of budget).
- 5.7 Care in Q4 has continued to have a stronger performance than the first half of the year with a profit of £0.1m (up £67k on budget).
- 5.8 Higher than expected revenues (management fees) as well as continued cost savings have driven a significant upside in Business Support, with the result £2.3m up on budget.
- 5.9 It is noted that the IAS19 impact contained in the Statement of Order comprehensive income for the year is an expense of £15.8m. Whilst this is not disclosed within the primary P&L for Norse, it does impact the overall result and the balance sheet. This will be covered under item 14 of the agenda, AC Update – Pensions.
- 5.10 Cashflow for Q4 has increased significantly, driven by working capital gains. Cashflow is ahead of budget for Q4. YTD cash inflow is £6.0m, significantly ahead of budget, which continues to be driven by working capital gains
- 5.11 Brian stated that the cash position is an incredible turnaround and encouraging considering how the year started.
- 5.12 It is noted that staff and systems changes remain a challenge for the finance department.
- 5.13 The Board **AGREED** to note the report.

## 6.0 Norse Group SHEQ Report

6.1 A comprehensive report was provided to the Board by the CEO. The CEO will look to reduce the report to make it more concise and focused. **CEO to ACTION**

6.2 Norse Group has hosted 11 visits by the H&S Executive since entering the regeneration phase on 11 May 2020 as part of their Covid-19 spot check program. All visits have been successful and good reports received, demonstrating that the processes and procedures in place are effective control measures against the pandemic.

6.5 It is noted that CQC inspection results are not shown in the table on item 6.2 This table will be updated and issued to the Board. **ACTION – S Hynd to Action.**

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

## 7.0 Group Business Opportunities

7.1 The Group CEO provided an update. Highlights include:

7.2 Q4 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 Q1 2021/22.

7.3 Sales during the period October to December were adversely affected by the impact of Covid 19 with many contracting authorities suspending all procurement activities. Decisions on tender awards have also been delayed.

7.4 Runnymede – Request for Information has begun with modelling expected to take place from June. The Groups attendance at the Councils Corporate Management Committee was well received.

7.5 NorseCare Private Income at the end of Q4 stood at £9.4m which is up £1.9m from the same period in 2019/20. The Chair stated that this is encouraging.

7.6 It was suggested that percentage numbers are added to margin numbers in reports. **ACTION: To include in reports.**

7.7 It was recommended that comments on whether business activity is sufficient be included in the Group Business Opportunities Board report. **ACTION: To include in reports.**

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

## **8.0 Norse Group People Report**

8.1 The HR Director provided an overview. Highlights include:

8.2 Positive feedback has been received from Highways staff. It is noted that Highways is a high-profile area for NCC and it is important that work is completed and delivered on time. There is an aging workforce in highways and the Operations Director is looking at the staffing pipeline by recruiting staff and offering apprenticeships.

8.3 Team wellbeing sessions to reflect on the challenges during Covid is being offered to NorseCare staff. This is being facilitated by the Groups wellbeing provider.

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

## **9.0 Norse Group Investment/Activity HIT list**

9.1 The Group CEO provide an update. Highlights include:

9.2 The Deed of Variation for the Aviation Academy has not been signed, however it is believed that the commercial terms, as previously reported, have been verbally agreed by all parties.

9.3 The Group have decided to close the Marsham Composting Facility and an impairment has been taken against the asset. Meetings have taken place with the landowner concerning a potential under-let to Serco. (Serco have indicated that they may wish to move their operation to Marsham). It is believed that the landlord will allow occupation by Serco and occupation could continue past the Norse lease.

9.4 Despite meetings taking place with South Norfolk District Council, their position regarding Build Insight continuously changes. Further consideration is being given to how the Group exit this partnership.

9.5 The relocation of some staff to the Aviation Academy has been well received by the current occupants.

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

## **10.0 Norse Group Covid Update**

10.1 The Group CEO provided an update. Highlights include:

10.2 Visitor increase for Care Homes has been positively received.

10.3 More staff are returning to a socially distanced office.

10.4 Whilst the Group are not imposing vaccines on staff in Care, the Group will look to ensure newly appointed staff are vaccinated.

10.5 The vaccination programme continues at pace with 84% staff and 96% of residents now vaccinated within Norse Care.

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

## **11.0 Strategic Action Plan Update.**

11.1 The Group CEO provided an update. Highlights include:

11.2 The Group are looking to take some CRO candidates to the next stage in the interview process and continue to liaise with agencies to source suitable candidates for the position. There appears to be a conflict with the demands of the position versus the remuneration offered.

11.3 The current Marketing and Development Team, whilst young, are performing well. System developments that work for the team are being reviewed.

11.4 The Group CEO highlighted the good work being achieved by Richard Gawthorpe, Group Business Development Director.

11.5 The Group Business Development Director is in the process of mapping out all relevant markets and developing a market intelligence plan.

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

## **12.0 Project Viking Update**

12.1 The Group CFO provided an update. Highlights include.

12.2 Discovery sessions are being arranged over June and July (or earlier where possible) to ensure the direction of the solution can be fully informed. The

Board will not take part at this stage but the proposed solution will be brought back to Board before the formal RFP process commences to ensure oversight of the proposed direction and business case.

12.3 Vendor selection and implementation of Project Viking will be made once the discovery sessions are complete, an RFP finalized and a formal tender process run.

12.4 Project Viking is progressing well, despite the high demands of day-to-day business.

12.5 **ACTION:** To provide update on Project Viking to the Board in August.

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

### 13.0 **Audit and Governance Consultation.**

13.1 The Group CFO provided an overview of the Governments Audit and Governance Consultation.

13.2 The Department for Business, Energy & Industrial Strategy has released a consultation in relation to 'Restoring trust in audit and corporate governance' which includes measure aimed at enhancing the quality of:

- Corporate Governance
- Corporate Reporting
- Audit

13.3 Most of the proposals focus around Public Interest Entities which Norse is expected to fall within, although the definition of PIE entities is under consultation as part of the exercise.

13.4 More responsibility for governance and control will be placed on the Norse Board and its Directors.

13.5 Whilst this is currently in consultation, the Group are aware and will update on any conclusion and will consider this in its planning.

13.6 It is noted that cash flow and dividend payments could potentially be impacted due to cash reserve levels.

13.7 The Audit Committee could also be impacted and an additional independent member may be required to sit on the committee.

13.8 An additional audit Company, aside from Internal (KPMG) and External (PWC) may be required.

13.9 The Chair stated that it would be helpful for the Board to have sight of any potential changes to the Audit Committee.



13.10 As recommended by the Audit Committee, the Board **AGREED** to retain KPMG as Internal Auditors for 12 months.

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

#### **14.0 Defined Benefit Pensions.**

14.1 The Group CFO provided an update:

14.2 The Year End results for FY21 have been heavily impacted by the requirements under IAS19 for accounting in relation to defined benefit pensions.

14.3 The result is that while the Group has generated a profit for the financial year (after tax) of £1.2m, the impact of the standard in relation to unrealised costs means the Group is expected to have a significant overall loss of £14.7m

14.4 As the balance sheet strength of Norse reflects the total of realised and unrealised profits/losses this means that the net assets of Norse have reduced from £26.4m at the end of FY20 to £11.7m at the end of FY21.

14.5 Pensions have significantly weakened the balance sheet and if there is another impact for FY22 of this magnitude, this could be a significant risk.

14.6 It was raised that the business is exploring the potential to pass some of the liabilities back to NCC, and are engaging actuarial advice in this respect.

14.7 THE CFO stated that he will review if the Group is being prudent enough, or overly prudent in relation to pension assumptions. The Board will be provided with a report once the analysis is complete. **ACTION: CFO to provide an update on pensions to the Board and show the magnitude of the risk.**

14.8 It is noted at that an adviser should be commissioned to assist and guide the CFO on the right steps to take to manage and reduce the pension risk from the balance sheet.

14.9 Year-end assumptions will be circulated to the Board. **ACTION: CFO to share.**

14.10 Whilst there has been some success in handing back the pension risk to Councils, the following companies retain a significant element of exposure:

- NCS
- GYB
- Suffolk Coastal Norse
- NPS London
- NPS South West
- NPS South East

Passing the risk back to NCC should be considered.

- 14.11 The CFO stated that he will contact the LGA regarding pensions.
- 14.12 Whilst the pensions are held within the Norfolk Pension Fund the CFO will look at the fund's performance against market benchmarks.
- 14.13 It is noted that it is imperative to limit and reduce the pension scheme liabilities.
- 14.14 The Board **AGREED** to note the report.

## **15.0 Business Case Rugby BC Development Partnership.**

- 15.1 The Investment Committee held on 19 April 2021 discussed Development Partnerships in detail. It was the recommendation of the Investment Committee that development JVs should not be pursued as business as usual, however should an investment opportunity arise it will be scrutinised and considered by the Investment Committee.
- 15.2 With regards to the Rugby Development Partnership, the Investment Committee did not agree to Norse providing capital investment to the Partnership. Whilst Norse are under no obligation to commit to investment in this partnership, during the initial discussions with Rugby BC concerns were raised that investment by the Group was implied.
- 15.3 It is noted that the Heads of Terms for the Rugby Development Partnership included wording regarding co-investment by the Norse Group. The Investment Committee recommended that this wording is removed from the Heads of Terms.
- 15.4 The Investment Committee opined that the Group should not be stating that Norse Investment is available for a return on professional fees.
- 15.5 The Group have confirmed to Rugby BC that they have no intention of investing in the development partnership. Rugby BC have stated that they still wish to proceed. The returns for the DJV will be fee based as Rugby BC wish to use the Group's skills and experience. Fees of c.£600k are expected.
- 15.6 Norse and Rugby DC will be equal shareholders; however, the development risk will be undertaken by the parties providing the investment, which is Rugby BC. This is made clear in the proposal.
- 15.7 Simon questioned the process in identification and allocation of risk.
- 15.8 PI Insurance is held by Norse Group Holdings Limited.
- 15.9 It is noted that there should be no unforeseen risk that the Group could be held liable for. External advice should be sought to review this.
- 15.10 Norse will not invest in Social Housing developments.

- 15.11 It is noted that the Rugby Development Proposal is similar to Broadland Growth Limited.
- 15.12 Karen Vincent declared an interest as her husband is a Director of Broadland Growth Limited.
- 15.13 The expectation is that the Investment Committee will look at individual investment proposals however the risk and return should be reflective of the investment made.
- 15.14 In conclusion the Chair stated that there should be no expectation of co-investment to secure consultancy work and if there is surplus capital and an investment opportunity arises, it will be review and considered by the Investment Committee for recommendation to the Board to review and if agreed, approve.
- Shareholder risk and PI insurance (liability in a DJV partnership) are to be reviewed.
- Going forward, it is to be clear that Norse involvement in DJVs is for consultancy only and not co-investment.
- The Board **AGREED** to seek shareholder approval to set up Caldecott Developments Limited as agreed.
- Karen Vincent asked that it is made clear to the shareholder, what is being asked to set up.

## 16.0 Directorships

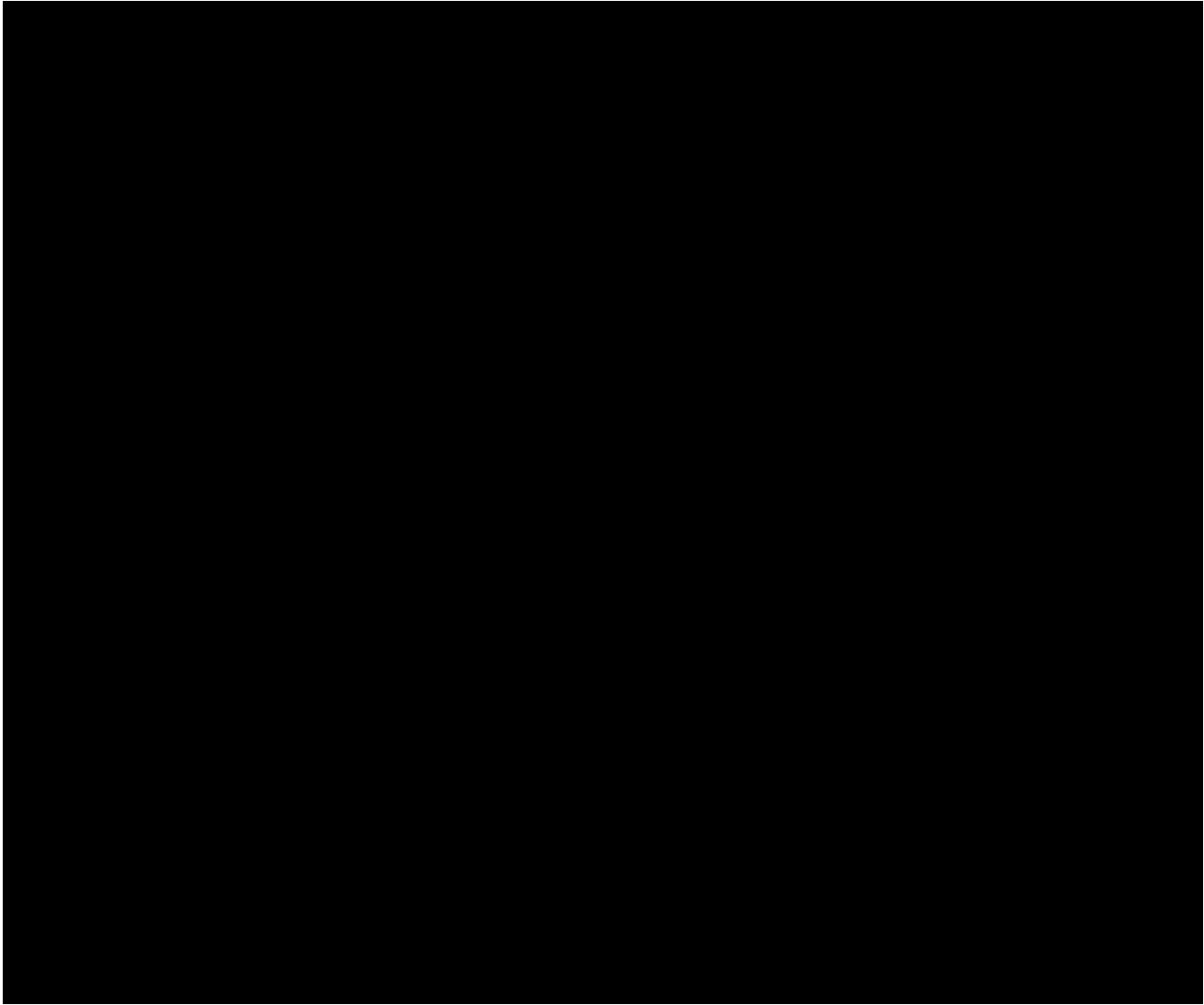
- 16.1 The following Director changes were proposed:

| Company                  | Current Director | Recommended Appointee |
|--------------------------|------------------|-----------------------|
| NPS Barnsley Limited     | Refer below*     |                       |
| Barnsley Norse Limited   | Karen Temple     |                       |
| NPS Humber Limited       | Karen Temple     | Andrew Tansley        |
| Newport Norse            | Marina Robertson | Justin Galliford      |
| Suffolk Coastal Services | Dean Wetteland   | Justin Galliford      |
| Waveney Norse            | Dean Wetteland   | Justin Galliford      |

\* The Service Agreement dated 31 January 2011 between Barnsley Metropolitan Borough Council (BMBC) and NPS Barnsley Limited (NPSB) terminated 31 March 2021. As a result, the shares held by BMBC in NPSB transferred to NPS Property Consultants – ie. NPSB is now wholly owned by NPS Property Consultants Limited. As a consequence it is proposed to amend the articles of association to reflect the wholly owned status and to reduce the

number of directors from six to three; the remaining three all being incumbent Norse appointed directors (James Pratt, Daniella Barrow and Nick Maddox).

16.2 The Board **AGREED** to the changes proposed.



**18.0 NED Only Meeting**

18.1 Not minuted.

**19.0 AOB**

19.1 Nothing to report.

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 29 July 2021.

DRAFT