

Hi Shona,

You will appreciate with the uncertainty around Brexit, any mitigating actions can only really be viewed as short term in respect of limiting the impact around financial and operational capacity.

I am not telling you anything here you are probably unaware of but Economists are estimating that a no-deal Brexit could increase the wholesale cost of non UK products by up to 5%. This is attributed to estimated costs for tariffs, non-tariff barriers, additional labour and a weaker currency. Whilst you will appreciate it is difficult to exactly predict any disruption, we have in place processes, as part of our general business continuity procedures, to address any immediate issues like fuel supply, reduced staffing levels and increased costs.

Labour shortages: I think it would be fair to say that our service to you is generally provided by an established team and one in which we have continued to invest including the upskilling and development of staff. Whilst the Group work in partnership with recruitment agencies in order to deliver temporary staff should a shortfall arise, this is not something we feel is of immediate concern locally. It is possible that any restrictions on migration could influence the labour market and therefore, in areas of low employment, it may be necessary in the future to increase rates of pay to entice the relevant labour requirements, however this will continue to be monitored by the wider Norse Group and in partnership with the relevant unions.

We have to recognise that there is the potential, due to the level of uncertainty surrounding a no-deal Brexit, for both supplier disruption and procurement costs increases, though the majority of our products are purchased from within the UK, there will be items that originate from within the European Union and in recognition of this, the Group conduct regular operational/commercial meetings to discuss prevalent market issues which includes risk mitigation and a drive for longer term fixed price arrangements in order to limit liabilities around variable price agreements. Unfortunately there is likely to be some market nervousness regardless of the outcome which in turn could create supply and demand risks that can ultimately increase prices but I think you need to consider this in the context of the scale of your likely procurement requirements and capital projects.

Whilst we do not use large amounts of fuel on Town Council matters, with the weakening of the pound predicted to continue post the UK's withdrawal from the EU, an increase in the price of fuel is likely. As you might imagine, given the wider services provided by the group, there is regularly monitoring of market indices in order to gather information around the fluctuation in commodity markets and the strength of the pound. If fuel prices continue to rise, we may see a rise in consumable costs due to logistical increases. Again, the Group continues to drive short term fixed prices from suppliers in order increase stability and reduce volatility around variable costing with mitigating action in place to help ensure minimal disruption in order to meets our contractual obligations.

Legal/legislative impacts: In the medium to long term, changes to legal/legislative requirements may change depending upon the level of EU legislative legacy which may remain following Brexit. The risk of both changes to legislation and also noncompliance with legislation is monitored within the Norse Corporate Strategic Risk Register. Moreover, the Group also retains a central control repository of all current legislative requirements which impact the operations of our business and services. This is being continually monitored in accordance with our internal governance arrangements. I don't think again there is any immediate issues regarding Town Council matters.

I trust this is of some help.