

YORWASTE

1. How Yorwaste delivers shareholder value.

As a Teckal company, Yorwaste delivers shareholder value in a number of ways.

Directly through either a reduction in the cost of service provision to the shareholding authority or in the generation of profits which accrue to the shareholding authority. This value is enhanced by the operation of commercial activities which can offset operating costs to the authority or enhance the generation of profits.

Indirectly through the shareholders' investment in Allerton Waste Recovery Park (AWRP) by maximising their potential financial return from volume related contractual terms.

Intangibly in that, as a result of its shareholding ownership, additional ad-hoc services and assistance to the shareholding authority are provided at either cost or zero charge.

The challenge for Yorwaste is to balance the above factors to deliver a cost effective, tax efficient, value for money solution for the local taxpayer.

2. Review of performance to date for the current fiscal year to 31st March 2021.

Yorwaste has performed well in the current year. It has delivered a solid health & safety performance and is on target to meet the shareholders volume and gate price targets for AWRP. It has responded quickly and decisively to the COVID crisis, accelerating cost reduction plans, and providing operational support to its Authority customers.

Health & Safety

The Company has significantly reduced its injury incidence rate, seen a marked reduction in lost time injuries, and received the ROSPA Gold award. December saw the incidence rate reach a 5-year low.

The Company will complete the installation of fire deluge systems at all waste transfer stations by the end of the current fiscal year which will help mitigate the risk of waste fires.

Environment

The investment in the liquid treatment plant at Harewood has delivered a significant reduction in leachate head levels, which combined with drainage upgrades, has allowed Harewood MRF and Compost pads to continue to operate whereas in previous years localised flooding would have resulted in temporary closures and loss of stock value.

With the achievement of PAS 100 compost accreditation at Seamer in December all Yorwaste composting sites are now PAS 100 accredited.

Climate Change

The Company originally planned to achieve ISO 50001 Energy Management certification in 2020, however this was delayed due to COVID. The target is now to achieve this in 2021 as the first step towards a comprehensive carbon reduction strategy.

Covid Response

In terms of its COVID response the Company off-hired vehicles, utilised furlough for commercial employees, made further reductions in management positions, reduced non-effective cover by ensuring staff continued to take holiday during lockdown, postponed non-essential maintenance, accelerated other cost saving plans, and ensured COVID safe working practices across all sites and in vehicles.

The Company provided operational support to CYC during the COVID crisis including supervisory cover when self-isolation resulted in a staffing shortage, and in the role out of the booking system for HWRCs. This was provided at no additional cost to the shareholder.

The Company also sought to support its commercial customer base by offering penalty free contract suspension during lockdowns.

Full Year Financial Estimate

In recent years the Company has reduced its management headcount by 50%, invested in new information systems and asset upgrades, and divested loss-making contracts and activities. These changes have enabled the business to react quickly and flexibly to the COVID crisis.

The Company was originally budgeted a return to a modest profit and is now forecasting to substantially exceed that target.

3. Business Plan 2021/22

Whilst current year financial performance has been strong, this has been driven by short-term cost optimisation in response to the COVID crisis, and many of those cost savings are not possible in a longer term “business as normal” scenario.

As a result, next year’s budget profit levels are not expected to continue at the same level, especially with the continuing reduction in landfill gas revenues. However, on the positive side the Company will deliver sufficient savings to fund next year’s aftercare costs without the need for additional revenue funding from the shareholders.

In addition, significant uncertainty remains around the performance of the regional economy over the coming year. The Company anticipates that commercial activity will continue to be negatively impacted by COVID restrictions throughout the fiscal Q1 period and this could put pressure on next year’s out-turn.

The Company remains confident in its ability to meet the volume and gate price targets for AWRP and this delivers significant value to the shareholders.

The Company has sufficient cash flow to meet its forecasted “business as normal” investment requirements without the need for further borrowing or shareholder equity injection.

4. Looking Forward

The outcome of the LGR and Government Waste Strategy consultation continues to have the potential to impact the operations of Yorwaste. The Company is performing well and in a strong position to support any outcome by continuing to provide a value for money service and by actively engaging with future Authorities to deliver the opportunities which might arise.

The Company has outline plans for solar and wind power at both Harewood and Seamer Carr closed landfills, as well as roof-based solar for Tancred and Thirsk. These plans are initially modestly scaled to meet a portion of each site’s energy requirements, and at Harewood and Seamer will be designed to support future expansion as planning and funding might allow.

SJB Recycling Wind-up

Shareholder Committee are formally requested to approve the winding up of SJB Recycling.

As reported to Shareholder Committee in November 2020, SJB Recycling ceased operations in March 2020. Since then the assets of the Company have been sold and there now remains a cash balance of c. £1.3m.

Management do not believe there is any residual value in the Company brand and are recommending to the shareholding authorities that the Company is wound up and the residual cash balance is paid as a dividend to the shareholders pro-rata to their shareholdings. North Yorkshire County Council Executive agreed to this proposal on 16th February 2021.

It is recommended that Shareholder Committee

- i) Approve the winding up of the company
- ii) Approve to the distribution of final reserves to be distributed to shareholders pro rata to the shareholdings.