

YORWASTE – CYC SHAREHOLDER COMMITTEE REPORT 22-06-26

1. Delivering Shareholder Value

As a Teckal company, Yorwaste delivers shareholder value through a combination of financial, contractual and broader operational support to its owners. Value is generated directly through reducing the cost of service provision to the shareholding authority and through the generation of profits that are returned to shareholders. This is supported by commercial activities which contribute to offsetting operating costs and enhancing overall financial performance.

In addition, the Company supports the optimisation of shareholder returns from the Allerton Waste Recovery Park (AWRP) by ensuring delivery against contractual volume and pricing mechanisms. There is also a wider, less tangible benefit in the Company's ability, as a wholly owned entity, to provide additional services and operational support to shareholders on either a cost or no-cost basis where appropriate.

The Company continues to balance these elements carefully to ensure the delivery of a cost-effective and value-for-money service for the local taxpayer.

2. Out-turn for Financial Year 2025/26

The Company delivered a resilient performance during the year, against a backdrop of ongoing inflationary pressures, particularly in labour costs, alongside competitive conditions in commercial markets and continued financial constraints across the local authority sector.

Safety remains the Company's highest priority. Two RIDDOR-reportable incidents occurred during the year following a prolonged period of strong performance. Both incidents were relatively minor, and appropriate corrective actions have been implemented. The Company has continued to invest in safety improvements, including the introduction of FHOSS proximity warning technology across key areas of the operation. Recognition of this commitment is reflected in the award of a seventh RoSPA Gold Award.

The Company also made progress in its people agenda, achieving Investors in People Silver accreditation, which reflects its ongoing commitment to workforce development and wellbeing.

Operational governance and risk management remain strong. The Company continued to invest in its IT infrastructure to mitigate cyber security risks and retained Cyber Essentials Plus accreditation. In addition, it maintained ISO certifications across environmental management, quality, health and safety, and energy management standards.

Financial performance remained robust overall. Turnover increased during the year to £47.23 million (2025: 45.26 million), with growth in commercial activity partially offset by the loss of key third-party recycle processing arrangements against a more price competitive market. Income from power generation remained broadly stable, with pricing improvements offsetting gradual reductions in volumes. The Company also continued to meet its contractual obligations in respect of AWRP, ensuring that full value was delivered to shareholders.

Cost pressures increased as a result of external factors, including changes to employer National Insurance contributions and increases in the National Minimum Wage, alongside associated supply chain cost impacts. Given the Company's funding structure, the majority of these pressures were absorbed rather than passed through.

Notwithstanding these challenges, the Company maintained effective control over its underlying cost base. Additional expenditure associated with service developments, including the implementation of Simpler Recycling requirements and expansion of food waste services, was managed within overall financial controls. A reduction in the landfill aftercare provision amortisation provided some offset to wider cost pressures.

Profit Before Tax for the year was £0.95 million (2025: £1.65 million), reflecting the impact of inflationary cost pressures partially mitigated by revenue growth and ongoing efficiency measures. Cash generation remained strong, supporting continued investment in fleet and infrastructure, with capital expenditure of £5.7 million (2025: £5.2 million).

The Annual Report and Accounts will be made available following approval at the Company's AGM and subsequent filing.

3. Current Year Performance

In the context of continued financial pressures facing local authorities, the Company has agreed a break-even budget position for the current financial year. This reflects a pragmatic approach while a broader review of the Teckal funding model, which accounts for the majority of the Company's income, is undertaken.

This position is being actively managed. Some pressures remain from external factors, including fuel price volatility, and the Company is continuing to focus on maintaining cost discipline and identifying opportunities to increase commercial income where appropriate.

The Company retains a strong balance sheet and cash position, providing resilience and the ability to manage short-term financial pressures without the need for additional borrowing.

4. Outlook

The Company has demonstrated resilience in navigating a challenging operating environment while continuing to support its shareholders. Engagement with stakeholders is ongoing to ensure that future funding arrangements remain appropriate and support long-term sustainability.

The operating environment continues to evolve, with government policy initiatives such as Simpler Recycling expected to influence future service delivery. The Company is working closely with local authorities to support implementation and has already expanded its food waste and recycling service offer.

At the same time, there remains a degree of uncertainty within the regulatory and policy landscape, particularly in relation to implementation timelines and funding mechanisms. Recycling markets also continue to exhibit variability in both pricing and material quality, which can influence income streams.

Labour market conditions remain tight in certain operational areas, and the Company continues to focus on workforce development and retention as a key enabler of service performance.

The Company maintains its focus on operational resilience, continuing to invest in IT and cyber security while retaining key accreditations including Cyber Essentials Plus, Investors in People and the Good Business Charter.

Strategic options relating to recycle processing and green waste handling remain under consideration through established governance processes. These are being progressed as part of a structured options appraisal, although they are not expected to conclude within the current financial year.

Overall, the Company remains financially stable, with strong cash generation supporting ongoing investment in operations and infrastructure. The focus for the period ahead will be on maintaining service performance, managing cost pressures, supporting shareholders and continuing to develop sustainable commercial income streams.