

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, because 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. Update on current performance

Health & Safety

The Company has been awarded a Five Star Health & Safety Audit rating by the British Safety Council. The audit covered all of Yorwaste's operations and is a significant achievement for the Company, and all the more so due to the additional hazards presented from operating in the waste management sector.

This award compliments the Company's recent Investors In People accreditation which, when taken together, demonstrate the Company's commitment to the Health, Safety, and wellbeing of its employees and wider stakeholders.

Finance

The Company is expected to deliver a full year profit in line, if not slightly ahead of the budget target. However, it should be recognised that this years budget target was at a lower level than last year's actual out-turn primarily due to the Company absorbing some

inflationary pressures rather than fully pass them onto the Authority Clients.

The most significant inflationary pressure has been energy costs and whilst the Company was largely protected from the high electricity prices (due to locking in at market lows prior to the recent surges), it still had to absorb both the abolition of red duty diesel for fixed plant, and the higher pump prices.

On the upside the higher energy costs resulted in higher landfill gas revenues which has allowed the Company to make additional provision for future landfill aftercare costs.

The Company has also sought to be fair and proactive in addressing the cost of living crisis and made an additional interim pay award to its employees. It continues to comply with the requirements of the Living Wage Foundation.

The Company cash position is strong and an additional (non-contractual) pay down of shareholder loans will be made in the current fiscal year.

Materials Recycling Facility (MRF) Fire

In January the Company experienced a fire at its Harewood MRF. The fire started in the middle of the night in the hard plastics bay and was largely contained to the picking line extension whilst the main building was protected by the fire suppression system.

Whilst the picking line was a complete loss the Company had contingencies in place and service continuity was maintained. The Company was then able to source, build, and implement a temporary processing solution which was operational in under 4 weeks. The main site is expected to return to full operations before the start of the next fiscal year.

Governance & Best Practice

In pursuit of best practice, Yorwaste commissioned an independent audit of its Information Governance by Veritau. Whilst the Company was broadly compliant, the audit identified a number of areas where current informal processes could be improved with greater structure. The Company has retained Veritau to assist in addressing the areas for improvement which will be implemented over the coming months.

Environment & Climate Change

Yorwaste has continued to attract a zero Compliance Assessment Report Score (CARS) from the Environment Agency's inspections. This is a positive result (points are only awarded for breaches) and the Company is now almost 3 years since the last point was awarded.

The Company continues to support the shareholding authorities in progressing the potential for solar installations at both Harewood and Seamer closed landfills and has supported their applications to the Net Zero fund in respect of both projects.

3. Business Plan 2023/24

With inflation above 10%, and with limits on the client authorities ability to increase revenues from council tax, the Company faces below inflation revenues rises on its services for the authorities.

On the upside it anticipates that it will continue to benefit from higher landfill gas revenues which will mitigate some of this challenge and will allow further provision for future aftercare liabilities to be made.

The Company also faces higher disposal charges for its commercial waste which can only be partially offset by price increases to its customers within the current market pricing. The Company is focused on retaining its customer base as intense competition returns to the market after the relatively static period which resulted from covid.

The net impact of the above is a target budget which, whilst still in profit, is expected to fall below the current year's out-turn. Whilst this may appear to be a backward step it is in line with the Company's shareholder value commitment as the real terms cost of service provision to the Authority client has been reduced. The Company is also pursuing additional revenue opportunities which, if realised, could be an upside.

The Company continues to forecast a positive cash position and is cautiously optimistic it can continue to accelerate the pay down of shareholder loans in the budget year. This is in keeping with the longer term objective to clear shareholder loans which will then enable the Company to consider paying dividends.

Strategic Priorities for Business Plan 2023/24

The following strategic priorities for the coming year are essentially unchanged:

- 1) Continued focus on Health & Safety as the number one priority.
- 2) Ongoing optimisation of the current business both in terms of operating costs and commercial customer base.
- 3) Development of business case for solar on closed landfills to help deliver the shareholders Net Zero vision
- 4) Supporting shareholder needs under the Governments Resource and Waste Strategy policy.