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. Report & Accounts for Fiscal Year ending March 2023

At the time of our last meeting there was one item in the accounts which was under going a technical review with the auditors, namely that relating to the aftercare provision, which when finalised resulted in a full year profit before tax of £1.3m for 2022/23, an increase on the prior year. We discussed the factors behind this positive result at that meeting and a full copy of the annual report and accounts for the year-ending March 2023 has been included in the appendices to this report.

3. Update on current performance

At the mid-year point, in terms of profit, we are currently trending ahead of where we were last year, helped predominately by the continued strength in landfill gas revenues. Absent any significant external shocks the Company is cautiously optimistic it can deliver a result in line, if not slightly ahead of last year.

Governmental Waste Strategy

The Company continues to work with the Authority waste teams to provide options in response to the current and future waste challenges arising from both DEFRA and EA policies.

In recent months responses to deal with Persistent Organic Pollutants (POPs) and the central government mandated abolition of charging for DIY waste at HWRCs have presented both operational challenges and additional financial cost for the authorities.

There now appears to be a policy hiatus in relation to standardised waste collections which makes planning and investing in the correct collection and processing methods difficult, however if the “simplified method” does indeed turn out to be a two stream approach then this can be implemented relatively easily and would be a cost effective option for the local tax payer. However even here the looming prospect of a national Deposit Return Scheme could have a materially adverse impact on any kerbside collection solution depending on if, when, and how any such scheme is brought into operation.

However it is increasingly unlikely that any significant waste strategy announcements will be made this side of the next General Election

Environment & Climate Change

The Company has now submitted a planning application for large scale solar at Harewood, however even if granted there is still the challenge of connection to the National Grid which could be up to a decade away.

On a more modest scale the Company is exploring small scale solar for its own consumption and has plans for phased investment across its sites over the coming years.

A recent review of the Company’s mobile plant fleet found over 50% are either Stage 4B or Stage 5 compliant, with a further 28% being Stage 4A compliant. Whilst the Company still has around a fifth of its mobile plant in Stage 3, these are very low usage assets at lower volume sites. The Company operates a phase-out asset strategy where the newest assets are used in the largest volume sites, and then progressively are “put out to pasture” at quieter sites before their disposal. Under this policy 90% of mobile plant will be Stage 5 (or above) by 2030, with the remainder at Stage 4B. This will see a reduction in carbon emissions as

Stage 5 vehicles are both more fuel efficient and produce less emissions.

In terms of its fleet all of the Company's road vehicles are Euro6 compliant.

The Company will continue to consider greener options and would happy to adopt them should technology progress sufficiently to provide a commercially and operationally viable alternative such as hydrogen or electric.

4. Looking Forward

As stated previously the Company is cautiously optimistic on this years financial profit out-turn to be in-line, if not slightly ahead of last year's result.

However next year we are anticipating a significant drop in gas revenues as the wholesale energy market "normalises" at lower rates (at least by recent standards).

As local authority budgets continue to be under pressure the initial "straw-man" estimates for next year's budget are pointing towards a just above break-even profit position.

The wider impacts of future government waste strategies is still unclear and managements view is that this is likely to remain the case for at the next 18 months.