

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. Annual Reports

As discussed at the previous shareholders meeting a copy of the Annual Report and Accounts for Yorwaste for the year-ending March 2021 have been included in an appendix to this report.

Going forward the Company will include published annual accounts with the shareholder report once they have been filed with Companies House.

3. Update on current trading

The Company continues to perform well and is on track to exceed budget. This has been driven by higher revenues from landfill gas rates and better performance in the Company's commercial activities. However, this has been offset by higher fuel prices, HGV driver salary increases, as well as wider inflationary pressures which the Company has absorbed rather than pass on to its authority client. As a result, the full year profit before tax is expected to be in the range of £0.8m to £1m.

The Company is still on target to deliver the maximum shareholders volume and target gate price for AWRP.

Health & Safety

Unfortunately, the Company had two Lost Time Incidents in November, both of which resulted from employees undertaking activities they were not supposed to. This is regrettable and detracts from the wider improvements the Company has made. The Company continues to have safety as its top priority and a critical area for continual improvement.

Environment & Climate Change

The Company has achieved ISO 50001 Energy Management Certification as the first step towards a comprehensive carbon reduction strategy.

The Company is keen to reduce its carbon emissions and is examining how it can improve the energy efficiency of its buildings and the potential to transition fixed plant from diesel to electric where practical.

Most of the Company's emissions come from its transport operations, almost all of which are HGV related. Whilst the current development of Electric Vehicle technology does not provide a realistic alternative for these types of vehicles (especially in rural locations), the current and forward views of pump prices are focusing management attention on how we can drive further fleet efficiencies.

The report on options for Green Energy Parks at one, or both of, the closed Harewood and Seamer landfill sites is almost complete and will be shared with the Company's shareholders.

3. Business Plan 2022/23

Whilst the Company has delivered two years of reasonable profit under its new operating model (i.e. post landfill), next year will be a significant challenge, made greater by the economic impact of the current geopolitical instability.

The Business Plan process begins in October in order to feed into the Authority-shareholder's wider budgeting process. At that point CPI inflation was 4.2% and this rate was used as a basis for agreeing the authority funding for the coming year. Since then, inflation has

increased with the latest reported CPI of 5.5% and with market forecasts predicting further increases up to 8%.

This is starting to bleed through to in-bound operational costs as upstream suppliers also feel the pinch from wage, energy, and commodity price increases. It is also fair to say that the global supply chain has still not recovered from covid, and the Company and its suppliers continue to encounter problems in securing spare parts for machinery and vehicles.

Whilst the continuing high gas prices will provide some protection, next year's budget had already accounted for much of that benefit. It should also be noted that landfill gas volumes will continue to decline year-on-year.

With pump prices increasing by 10% in the space of a week it is unrealistic to forecast with any degree of accuracy how the current events will impact on next year's out-turn, however the Company is in a strong position to respond to these uncertainties.

The recent positive profit performance of the Company has generated sufficient cash balances to meet its day-to-day operations, its medium-term investment plans, and its obligations under its shareholder loan agreements.

Strategic Priorities for Business Plan 2022/23

The following are the strategic priorities for the coming year:

- 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) Development of business case for upgrading Harewood MRF to meet the shareholders needs under the new Resource and Waste Strategy recycle collection policy.

The Company remains compliant with Teckal guidelines with over 80% of billed revenue accruing to client activities. This is expected to be the case through Budget 2022/23.

4. Looking Forward

With the increased volatility generated by external events the focus of the Company over the next few months will be to mitigate their impact where possible. Management is focused on “weathering the storm” or “transitioning to a new normal” depending on the length, depth, and severity of the potential economic impacts coming down the road.

That said, the Company must also look beyond the current challenges with a view to the longer-term future. Here the Company is continuing to develop plans to meet the challenges and opportunities of the future Resource and Waste Strategy, as well as identifying how it can contribute to the authority-shareholders’ wider net zero ambitions.