

Appendix 5

Reserves statements

(1) MCA / LEP revenue reserves

As at 31 March 2019 the balance on reserves linked to LEP activity was £6.1m.

	Reserves as at 31.3.2019
	£'000
MCA/LEP General Reserve	£1,768
MCA/LEP LGF Reserve	£1,655
Business rates resilience reserve	£843
Skills Bank Reserve	£1,680
Revenue grants reserve - Apprenticeship Grant for Employers	£107
Total LEP Revenue Reserves	£6,053

The purpose of revenue reserves and balances is as follows:

MCA/LEP General Fund balance

The General Fund balance is to cover unforeseen costs and contingencies relating to the MCA/LEP's operating activities in the short to medium term.

MCA/LEP LGF reserve

The MCA/LEP LGF reserve represents the balance remaining of the £4m capital to revenue swap agreed as part of the Growth deal. It is earmarked specifically for funding the activities of the SCR Growth Hub and cannot be used for any other purpose.

Business rates resilience reserve

The income risk assessment process undertaken as part of the 2018/19 business planning process has highlighted that unlike many billing authorities, the MCA does not have any financial resilience to cope specifically with unforeseen events such as business closure, revaluation, the award of reliefs or appeals. In order to mitigate this risk, a new earmarked reserve has been established in 2018/19 from the surplus business rates declared in respect of 2017/18.

The level of the reserve will be assessed annually to determine its adequacy. For 2019/20, the amount deemed to be adequate as per the Section 73 Officer's advice is £500k. Proposals on how any amount in excess of £500k should be re-distributed back to partner authorities were approved by the MCA as part of the 2019/20 revenue budget report on 25 March 2019.

Skills Bank reserve

As reported to the Skills Exec Board on 21 February 2019, the Skills Bank reserve has been established from the Skills Bank pilot surplus of £1.182m and underspend on Skills Bank 1 management and administration costs for which the SCR is accountable of £0.498m.

Subsequent to the year end, a further £3.3m Skills Bank 1 surplus has been returned to SCR by PwC from the balance held in the Innovation and Capacity Fund earned on the main contract for delivering Skills Bank 1. This will be added to the Skills Bank reserve in 2019/20.

The purpose of the reserve will be to support future Skills Bank delivery and sustainability post the conclusion of the government investment together with the recently secured Skills Bank 2 funding (see **Appendix 2** for further detail).

Properties Reserve

The Properties Reserve does not fit neatly into the categories of transport or economic development and has therefore not been included in the table above. Its purpose is to meet any asset liabilities that may emerge, for example, in connection with the Group Strategic Asset Management project that is currently underway.

It represents the balance of retained profits that are expected to be transferred following the liquidation of a wholly owned subsidiary, SYITA Properties Limited. The estimated balance on the Properties Reserve is £1.489m at the end of 2018/19 but this is still subject to audit and may change as the liquidation process progresses.

(2) Transport revenue reserves

The movement on transport revenue reserves during the year was as follows;

		Balance b/f 1.4.2018	In-year movement	Balance c/f 31.3.2019
		£'000	£'000	£'000
Transport General Balances	Unearmarked	£5,888	£0	£5,888
Levy reduction reserve	Earmarked	£29,564	-£4,473	£25,091
PFI reserve	Earmarked	£8,375	£1,435	£9,810
SYPTe Operational Reserve	Unearmarked	£1,661	£164	£1,825
SYPTe Earmarked Reserves	Earmarked	£5,110	-£118	£4,992
Total CA Transport Revenue Reserves		£50,598	-£2,992	£47,606

The purpose of revenue reserves and balances is as follows:

MCA/Transport General Fund balance

The MCA General balance has been held unchanged whilst clarity was sought over the extent to which a dividend of £4.2m declared by the SYITA Properties Limited could be realised without potential tax implications.

This is being undertaken as part of the liquidation process and will be finally determined on its conclusion.

Levy Reduction reserve

The levy reduction reserve was established in 2014/15 and is being to bridge the funding shortfall between the baseline transport revenue budget and transport levy (as explained in Appendix 3) until convergence can be achieved. The extent to which the reserve needs to be committed to deliver this aim will be revisited as part of the refresh of the MTFS which is due to be presented to the MCA in July 2019.

PFI reserve

The PFI reserve represents the amount of PFI grant set aside to date to meet the rising costs of the PFI scheme in the future as a result of the indexation of the unitary payment for inflation and to meet the residual liabilities beyond the end of the PFI scheme. The adequacy of the reserve is re-assessed annually and will next be reviewed as part of the forthcoming refresh of the MTFS.

SYPTe operational revenue reserve

The operational revenue reserve is in effect SYPTE's General Fund balance. Its purposes is to meet contingencies and unforeseen costs associated with the PTE's operational budget.

SYPTE earmarked reserves

SYPTE's earmarked reserves have been set aside for specific purposes, the principal ones being remedial works to its fixed assets, network maintenance consultation and upgrades, IT project work, customer service improvements and the PTE's contribution towards the Group's Strategic Asset Management (SAMS) project.

The amount set aside for remedial works to fixed assets is also intended to cover any potential revaluation / impairment losses arising from revaluation.

(3) Capital reserves

Capital reserves can only be used for capital purposes or to repay debt.

The movements in the year are as follows;

		Balance b/f 1.4.2018	In-year movement	Balance c/f 31.3.2019
		£'000	£'000	£'000
Usable				
Capital receipts reserve	Earmarked	£5,453	-£1,149	£4,304
SYPTE capital receipts reserve	Earmarked	£1,150	-£129	£1,021
SYPTE Capital Grants Unapplied	Earmarked	£5,317	£1,930	£7,247
Total Usable Reserves		£11,920	£652	£12,572

The purpose of these reserves is as follows:

Capital receipts reserve

The capital receipts reserve is fully committed to supporting the South Yorkshire transport capital programme (£1.474m) and LGF programme (£2.840m) in 2019/20

SYPTE Capital receipts reserve

The reserve is being used to offset depreciation charges to the PTE's operational budget

SYPTE Capital grants unapplied

This represents capital grant income that has been recognised but has yet to be applied for financing. The movement in the year is a combination of capital grant income recognised and transferred to capital grants unapplied in the year less the amount applied for financing.