Sheffield City Region
LOCAL ENTERPRISE PARTNERSHIP

20th May 2019

2018/19 MCA/LEP Revenue Outturn

Purpose of Report

This paper sets out the final outturn position for the Sheffield City Region MCA/LEP Revenue Budget and Revenue Programmes for financial year 2018/19.

Thematic Priority

All 6 thematic priorities apply due to the cross-cutting nature of the annual budget.

Freedom of Information and Schedule 12A of the Local Government Act 1972

This paper is not exempt from the Freedom of Information Act 2000

Recommendations

1. That LEP Board members consider and note the 2018/19 final outturn position on the revenue budget and revenue programmes.
2. That LEP Board members consider and endorse in principle the proposal to reinvest some or all of the income accrued from LGF to support resourcing the development of business cases, noting the need to develop the proposition in detail.

1. Introduction

1.1 This paper provides an overview of the final outturn position for the 2018/19 MCA/LEP Revenue Budget and Revenue Programmes, which will subsequently be presented to the MCA on 3 June 2019. Please note that the accounts are subject to external audit, which may result in adjustments at a later date to the figures reported in this paper.

2. Proposal and justification

2.1 This report comprises three key sections:

- **Revenue Budget –** core operational revenue budget (£518k underspend)
- **Revenue Programmes –** revenue programmes (£2.7m slippage to be carried forward)
- **Reserves –** balances linked to LEP activity of £6.1m as at 31 March 2019.

2.2 **Revenue Budget**
The revenue budget is deployed to cover the day-to-day activity of running the MCA and LEP in its delivery of the Strategic Economic Plan (SEP). Typical costs include staffing, accommodation, business support, international trade and investment marketing and the commissioning of specific pieces of work as part of implementing the SEP and developing the Local Industrial Strategy and work towards the Shared Prosperity Fund (SPF).

2.3 The 2018/19 final outturn position on the core activities funded through the revenue budget is shown in the table below.

	Budget	Outturn	Variance	Variance
	£'000	£'000	£'000	%
Net Revenue Expenditure	£7,586	£7,661	£75	1%
Non-specific Income	-£7,586	-£8,179	-£593	8%
	£0	**-£518**	**-£518**	

2.4 Actual income exceeded budget by 8%, driven primarily by higher than anticipated investment income resulting from the bulk of 2018/19 LGF spend taking place at the tail end of Q4. There was a minor adverse variance of 1% on net expenditure. Further information on the revenue budget's final outturn position can be found in **Appendix 1**.

2.5 The £518k underspend has been returned to the MCA/LEP General Reserve, thus increasing the balance to £1.768m at 31 March 2019 (as shown in **Appendix 3**). An option for how the 2018/19 underspend could be utilised is set out in paragraph 2.10.

2.6 **Revenue Programme**

The spend across all 17 active revenue programmes in 2018/19 reached £10.1m, £2.7m below budget. In the vast majority of cases, there is slippage on programme delivery, the reasons for which are set out in the narrative below the table in Appendix 2. Approval will be sought from the MCA on 3 June 2019 to carry forward funding to allow programme activity to continue in 2019/20.

2.7 Further information on the revenue programmes can be found in **Appendix 2**.

2.8 **Reserves**

The MCA group controls a number of reserves, most of which are earmarked for specific purposes, whilst others are ring-fenced to particular activity, either by statute or in accordance with funding conditions. This paper focuses on those reserves held in connection with the MCA group's economic development activity, rather than its statutory transport functions and duties.

2.9 As at 31 March 2019 balances on reserves linked to LEP activity were around £6.1m, further details of which can be found in **Appendix 3**.

2.10 **External Capital Team / Business Case Development Fund**

As noted in paragraph 2.4, the 2018/19 underspend on the core operational revenue budget is driven primarily by higher than anticipated investment income resulting from the bulk of 2018/19 LGF spend taking place at the tail end of Q4. Specifically, of the £518k underspend, £433k is in relation to surplus investment income generated predominantly from LGF held on behalf of the LEP. By default, any underspends on the core operational revenue budget, which includes income earned, are returned to the MCA/LEP General Reserve at the end of the financial year. However, as this reserve is not earmarked for a specific purpose (other than as a general contingency as advised by the Section 73 Officer to cover risks and unforeseen costs), the LEP may wish to consider how a proportion of this year's underspend, that relating to income earned on LGF, could be invested.

One option, is to invest all or some of this funding to provide additional resource with the targeted aim of supporting the acceleration and delivery of high quality business cases for the final years of the LGF programme and potentially in order to support access to other future funding sources, such as Shared Prosperity Fund (SPF) and Transforming Cities Fund (TCF). Capacity to develop business cases is frequently cited as a reason contributing to programme delays, from a range of Scheme Promotors including Local Authorities and Colleges, for example.

A resource of this nature was outlined in the SCR Structure paper to the MCA 01/18/2016 where it was proposed to create an External Capital Team to work with Scheme Promotors across a range of disciplines, infrastructure, housing, transport and skills to support business case development.

Further work and consultation with stakeholders would need to take place before this proposal could be implemented in practice. An indicative view from the LEP Board is sought as to whether this proposal merits further development.

Depending on the success of piloting this, a longer-term option could be to convert some of this resource into a revolving fund through (a) capitalisation of the first wave of development costs, and (b) contributions from other sources of funding, e.g. interest accrued on LGF loans made in 2018/19.

3. Consideration of alternative approaches

3.1 In relation to the proposal for earmarking the 2018/19 underspend on the core operational revenue budget, the following options are available for consideration:

- Do Nothing – If the LEP Board is not minded to support the proposal to utilise the 2018/19 underspend as described in section 2.10, the money would simply remain in the MCA/LEP General Reserve (i.e. unearmarked reserves) and be available to support other priorities and/or unforeseen risks in the future.
- Do More – If the LEP Board is supportive of the proposal and wishes to see an increased level of investment, alternative sources of income would need to be considered, or the risk environment and reserves strategy would need to be reviewed in light of the fact that the current balance on the MCA/LEP General Reserve is geared to the level of known risk.

4. Implications

4.1 Financial
The financial implications are clearly set out in Section 2 and the accompanying appendices of this report.

4.2 Legal
There are no legal implications arising directly from this report.

4.3 Risk Management
In formulating the proposal as set out in paragraph 2.10, officers have taken a prudent approach in the context of the organisation’s current risk environment.

4.4 Equality, Diversity and Social Inclusion
The principles of equality, diversity and social inclusion are built into the annual budget-setting process and are taken into consideration when assessing budget pressures and savings proposals.

5. Communications

5.1 The budget is reported throughout the year to the MCA and LEP. Information is discussed with Directors of Finance in Local Authorities, with MHCLG as part of the Annual Performance Review and with both the Audit and Standards Committee and the Overview and Scrutiny Committee.

6. Appendices/Annexes

6.1 Appendix 1 – Core Operational Budget
Appendix 2 – Revenue Programmes
Appendix 3 – Reserves

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Background papers used in the preparation of this report are available for inspection at: 11 Broad Street West, Sheffield S1 2BQ

Other sources and references:

Appendix 1

Core Operational Revenue Budget

1.1 As set out in paragraph 2.4, actual income exceeded budget by 8%. The following section provides a further breakdown of the variance.

1.2

Non-Specific Income	Budget	Outturn	Variance	Variance
	£'000	£'000	£'000	%
Enterprise Zone Retained Business Rates	-£3,144	-£3,834	-£690	22%
Traded Income - AMP	-£1,002	-£1,624	-£622	62%
Transport Hub Subscriptions	-£1,000	-£1,000	£0	0%
Subscriptions from Partners	-£204	-£204	£0	0%
LEP Grants	-£500	-£500	£0	0%
Investment Income - Treasury	-£195	-£628	-£433	222%
Investment Income - Property Portfolio	-£185	-£323	-£138	75%
Other income	£0	-£66	-£66	
Contribution from mayoral election reserve	-£1,356	£0	£1,356	
	-£7,586	**-£8,179**	**-£593**	**8%**

1.3 EZ Business Rates

At £3.8m, the amount of business rates retained by the MCA/LEP from the four billing authorities (which collect rates payable by occupiers of rateable properties in SCR enterprise zones) exceeded the 2018/19 budget by £690k (22%). As set out in the 2018/19 budget report approved by the MCA in March 2018, the amount paid over by billing authorities in respect of surpluses from 2017/18 (£843k) has been transferred to the business rates resilience reserve (further details in Appendix 3). The table below shows a breakdown of retained business rates from the four billing authorities.

	Budget	Outturn	Variance	Variance
	£'000	£'000	£'000	%
Barnsley	£815	£817	£2	0%
Chesterfield	£1,504	£1,504	£0	0%
Rotherham	£544	£545	£1	0%
Sheffield	£581	£581	£0	0%
2017/18 Balancing Payments	£0	£843	£843	
Risk-based Adjustments	-£300	£0	£300	-100%
Deferred Income	£0	-£303	-£303	
Increase in Bad Debt Provision	£0	-£153	-£153	
Total Retained Business Rates	**£3,144**	**£3,834**	**£690**	**22%**

1.4 Traded Income – AMP

The second largest source of income comes from the tenants who occupy workspace at the AMP Technology Centre. Occupancy levels in 2018/19 exceeded budgeted levels, thus yielding an income surplus of £622k (62%). After allowing for running costs of c.£1.5m (including a provision of c.£400k to cover essential capital maintenance works), the Technology Centre generated an operating surplus of £107k in 2018/19.

1.5 Subscriptions payable by member authorities

The table below shows the split of subscriptions for 2018/19, split between Transport Hub and LEP. The amounts have been frozen at the same level since the inauguration of the Combined Authority in April 2014.

	Budget	Budget	Budget	Outturn	
	Base	Transport	Total	Total	Variance
Partner	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Barnsley	£32	£174	£206	£206	£0
Bassetlaw	£4	£0	£4	£4	£0
Bolsover	£4	£0	£4	£4	£0
Chesterfield	£4	£0	£4	£4	£0
Derbyshire Dales	£4	£0	£4	£4	£0
Doncaster	£41	£223	£264	£264	£0
North East Derbyshire	£4	£0	£4	£4	£0
Rotherham	£36	£190	£226	£226	£0
Sheffield	£76	£413	£489	£489	£0
	£205	**£1,000**	**£1,205**	**£1,205**	**£0**

1.6 LEP Grants

All LEPs across the country receive a capacity grant from central government. SCR's allocation for 2018/19 was £500k, the same as for 2019/20 which is the final year in which Government have so far confirmed that the grant will be paid.

1.7 Investment Income

The MCA/LEP receives two types of investment income:

- Treasury
- Property Portfolio

Treasury investment income comprises interest receivable from cash invested in accordance with the MCA Group's treasury management strategy. The MCA/LEP takes a low-risk approach in terms of its investment strategy in order to provide a secure source of income to the authority. The actual investment income received in 2018/19 exceeded budget by £433k, due to larger than anticipated cash balances being invested for longer as a result of not being drawn down to cover LGF scheme defrayals till the tail end of Q4.

Property portfolio investment income is derived from those investment properties which were transferred to the MCA from its former property-holding subsidiary SYITA Properties Ltd. The amount of income received in 2018/19 was £138k higher than budget.

1.8 Expenditure

The main costs of running the MCA/LEP include staffing, accommodation, business support, international marketing and the commissioning of specific pieces of work as part of implementing the Strategic Economic Plan (SEP), Local Industrial Strategy (LIS) and Shared Prosperity Fund (SPF). The table below provides a breakdown of these costs.

	Revised Net Budget	Outturn	Variance	
Net Revenue Expenditure	**£'000**	**£'000**	**£'000**	**%**
Staffing	£2,370	£1,898	-£472	-20%
SEP, LIS and SPF Development	£1,497	£1,487	-£10	-1%
AMP	£750	£1,517	£767	102%
Business Support, Supplies and Services	£924	£1,177	£253	27%
Trade and Investment	£477	£466	-£11	-2%
Other Property Costs	£212	£221	£9	4%
Sub-total	**£6,231**	**£6,766**	**£536**	**9%**

Mayoral election	£1,355	£1,173	-£182	-13%
Less: contribution from election reserve	£0	-£1,122	-£1,122	
Transfer to business rates reserve	£0	£844	£844	
Total	**£7,586**	**£7,661**	**£75**	**1%**

1.9 Staffing

The net cost of staffing was £472k under budget, with the late notification of Mayoral Capacity Fund in Q4 providing an opportunity to recharge eligible staffing costs. In addition, there were delays in officer recruitment during the year, and it was possible to recharge higher than budgeted amounts to the capital and revenue programmes.

1.10 SEP, LIS and SPF Development

Expenditure on SEP, LIS and SPF Development came in £10k (1%) under budget.

1.11 AMP

See paragraph 1.4 above.

1.12 Business Support, Supplies and Services

The main component of this part of the revenue budget covers the cost of professional support services currently provided to the MCA/LEP by partner authorities. Such services include finance, HR, internal audit, legal, member support, payroll and procurement. The other component consists of a wide range of organisational running costs, including external audit, insurance, IT and staff travel. Actual expenditure exceeded budget by £253k in 2018/19, mainly due to the need to set aside sufficient resources to cover the cost of the SCR becoming an employing body (for example, the implementation of new Finance, HR and IT systems and processes).

1.13 Trade and Investment

Actual expenditure on trade and investment and international and national marketing and communications came in under budget by £11k (2%).

1.14 Other Property Costs

Finally, this area of the revenue budget covers the cost of facilities and asset management activity undertaken by the MCA, for instance the cost of running Broad Street West and managing vacant investment properties. There was a minor overspend of £9k (4%).

1.15 One-off expenditure

Aside from day-to-day running costs, there were additional items classified as expenditure which were exceptional in nature during the financial year.

Firstly, the Authority incurred £1.2m of expenditure in respect of the mayoral election in May 2018, £182k less than budgeted. Taking into account the receipt of £51k of unanticipated election income, the net cost of the mayoral election was £233k less than budgeted.

Secondly, as referred to in paragraph 1.3, the four billing authorities who pay over business rates retained from properties on enterprise zones made additional payments during the year in respect of surpluses from 2017/18 (£844k) which have been transferred to the business rates resilience reserve (further details in Appendix 3).

Appendix 2

Revenue Programme

1.1 The spend across all 17 active revenue programmes in 2018/19 reached £10.1m, £2.7m below budget. In the vast majority of cases, there is slippage on the delivery of the programme, the reasons for which are set out in the narrative below the table. Approval will be sought from the MCA on 3 June 2019 to carry forward funding to allow programme activity to continue in 2019/20.

1.2

Programme Activity	Thematic Area	2018/19	2018/19	Variance
		Budget	F/Y Outturn	
		£'000	£'000	£'000
Skills Bank	Skills & Employment	£221	£383	-£162
Health Led Employment Support Trial	Skills & Employment	£5,379	£3,966	£1,413
Enterprise Advisor Pilot	Skills & Employment	£187	£160	£27
Gatsby/STEM	Skills & Employment	£81	£43	£38
Hub enhancement	Business Growth	£478	£286	£192
RISE	Business Growth	£50	£50	£0
Launchpad	Business Growth	£134	£131	£3
Growth Hub	Business Growth	£885	£639	£246
Access to Finance	Business Growth	£342	£276	£66
One Public Estate	Assets	£425	£323	£102
Planning Delivery Fund	Planning	£120	£65	£55
Sustainable Travel Access Fund	Transport	£2,500	£2,500	£0
Energy Hub	Infrastructure	£38	£36	£2
Energy & Sustainability	Infrastructure	£100	£0	£100
Key Account Management	Trade & Investment	£102	£109	-£7
HS2 Growth	Transport	£770	£506	£264
Mayoral Capacity Fund		£966	£698	£268
Total		**£12,778**	**£10,064**	**£2,714**

1.3 **Skills & Employment**

The two main worksteams in the area of Skills and Employment are the Health led trial (a MCA project) and Skills Bank (a LEP growth deal project).

The health led trial was launched successfully in 2018/19 and is now in the process of being delivered under a contractual arrangement with NHS Sheffield Clinical Commissioning Group and the delivery partner, South Yorkshire Housing Association. Under the terms of the original contract the planned end date for delivering the scheme was March 2020. However, negotiations with the Work and Health Unit have recently been concluded to allow for an extension of the scheme to October 2020. This will increase the overall amount of funding available to deliver the trial from £7.558m to £9.057m.

The original budget for 2018/19 of £5.540m was on the basis of the original agreement. Under the terms of the revised agreement the funding allocation for 2018/19 revised slightly to

£5.379m, giving rise to a budget variation of £161k. The profiled spend in 2019/20 has not been affected.

The total amount claimed against the revised 2018/19 allocation was £5.239m, resulting in a shortfall of £0.140m which, due to the terms of the contract, SCR will not be able to claim. The remaining £1.273m claimed in 2018/19 is being carried forward to meet commitments.

Skills Bank is a 6-year programme which forms part of SCRs Growth Deal. The first phase for the 3 years to 2017/18 has been concluded and evaluated with the lessons learnt to inform the change in the delivery model for the second phase over the 3 years from 2018/19. Skills Bank essentially comprises two elements: tasks and activities which the SCR is responsible for delivering and the main contract with the delivery partner for commissioning training.

A Skills Bank Operator (Calderdale College), has been secured for the main contract worth around £8.5m over the 3-year period from 2018/19. Their contract is with the ESFA - the SCR is not a co-signatory and is not accountable for this funding.

The SCR have received a funding agreement for its element confirming that the funding available in 2018/19 and 2019/20 is £1.812m in total, of which £1.444m had to be claimed in 2018/19. This amount is far higher than predicted and reflects the ESFA delaying the formal commissioning of the Skills Bank Operator. The Skills Bank team successfully achieved the deliverables necessary to claim the £1.444m in full. This has been claimed in 2 tranches - £0.284m and £1.160m.

The indicative allocation in 2020/21 of £0.369m is expected to be confirmed as the final year of the 6-year Growth Deal but falls under the Government's current spending review. If confirmed, this would bring the overall funding available for Skills Bank 2 to the £2.181m that was accepted in principle by the MCA at its meeting on 10 September 2018.

The spend on Skills Bank activity of £0.383m in 2018/19 has been funded by a combination of £0.048m from Skills Bank 1 (largely in relation to post-delivery evaluation) and £0.335m from Skills Bank 2.

The balance of unused funding on Skills Bank 1 of £0.498m together with the surplus arising on the Skills Bank pilot of £1.182m have been transferred to create the newly formed Skills Bank Reserve – see Appendix 3 and reference the Skills Bank Paper on the LEP agenda. The balance of unapplied 2018/19 Skills Bank 2 funding (£1.110m) is being carried forward as planned to support delivery of the programme in 2019/20 and 2020/21.

Mayoral Capacity Fund

The SCR successfully bid for Mayoral Capacity Fund monies to build capacity to help support the Mayoral Office and deliver against Mayoral and Manifesto priorities. The MCA received an allocation of £0.966m in 2018/19 and an indicative allocation in 2019/20 (yet to be formally confirmed) of £1.034m. The final outturn figure of £0.698m for 2018/19 leaves an underspend of £0.268m which is due to the fact that the SCR only received notification of its 2018/19 allocation in January 2019 and there is therefore a lead in time to commission.

Business Growth

In 2015 SCR agreed with government to 'swap' £4m of Local Growth Fund capital resource for revenue grant, on condition that the funding would be spent on business growth activity.

The revenue grant was transferred to earmarked revenue reserve ("the LGF reserve") and has been released on an annual basis to meet the majority of the costs of the Growth Hub and Access to Finance teams, along with individual projects such as Hub Enhancement, RISE and Launchpad and the 'Y Accelerator' (launched in 2018/19). Core Growth hub activity is also supported by central government grant (£410k per annum, confirmed to the end of 2019/20).

RISE and Launchpad ended on 31 March 2019. The hub enhancement project is ending on 30 June 2019 when European funding (ESIF) ceases.

SCR are partnering with Sheffield Hallam University in the launch of the Sheffield Innovation Programme (SIP) which is a 3-year programme starting in August 2019. SCR have agreed to provide match funding of £189k over the 3-year period to support the University's ESIF bid with an allocation of £27k during 2019/20. The purpose of this programme is to provide innovation support workshops for the benefit of regional SMEs' economic growth. The £189k of match funding is provided for within the Growth Hub's business plan. Formal MCA approval will be sought, if required, once the outcome of the ESIF bid is known.

In 2018/19, a total of £0.793m was drawn down from the LGF reserve to support Growth Hub activity. This leaves a balance of £1.655m on the LGF reserve at the end of 2018/19 which is sufficient to support planned business growth activity in 2019/20 and 2020/21 as set out in the current Growth Hub business plan.

Assets & Planning

The two main programmes in this area are: One Public Estate (OPE) and Planning Delivery Fund. OPE has been running for several years and will continue into 2019/20.

Planning Delivery Fund is a new workstream which started in mid 2018/19, hence slippage of £55k on the full year allocation of £120k. The project will be running at its full capacity in 2019/20 for which there is an estimated budget allocation of £162k. The funding is payable in advance by MHCLG and has been received. The areas of activity are expected to include:

- Development of a comprehensive and robust strategic housing and planning evidence base to support joint approaches to housing growth and the infrastructure / funding packages to support housing development, particularly for priority housing growth sites;
- Development of shared approaches to implementation, including addressing planning barriers to housing development; and
- Project management capacity for Local Authorities to call-off, to help fill capacity gaps and accelerate housing development for housing schemes across the SCR.

Transport

2 workstreams in the area of Transport, which will continue into 2019/20 are:

- Sustainable Travel Access Fund (STAF) £2.5m
- HS2 Growth Strategy £506k

STAF is a 3-year programme running from 2017/18 to 2019/20. Funding of £7.5m has been made available over the life of the programme in equal annual allocations of £2.5m p.a. Delivery has been strong to date. At Q3 all partner authorities reported to the LTP team that they have spent to budget in 2018/19, hence no slippage is assumed.

The MCA received £1.25m (in 2 tranches of £625k each) from the Department for Transport (DfT) in 2017/18 to prepare a HS2 Growth Strategy for SCR to ensure that the region takes full advantage of the economic benefits arising from the HS2 project, both during construction and operation. Actual spend for 2018/19 was around £506k, hence there is a slippage on the programme and approval from the MCA for a budget of £264k will be sought to cover slippage work relating primarily to master planning work for Chesterfield and Sheffield stations, and further activity to follow the launch of the Growth Strategy in 2019/20.

Infrastructure

A new work stream, Energy & Sustainability was started late in 2018/19. This is a 2-year programme and the estimated value is around £114k. £100k has been obtained from BEIS (via Tees Valley Combined Authority), and £14k will be added from Core budget in 2019/20. The programme funds a FTE post that will lead on activity to:

- Increase capacity to develop and deliver energy projects;
- Increase the number of projects designed to develop and deploy approaches to energy production and use, and which support local and national strategies, and;
- Improve the quality of energy projects brought forward to meet local and national strategies and targets.

Appendix 3

Reserves

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

1.2

	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).