CYNGOR SIR *POWYS* COUNTY COUNCIL.

GOVERNANCE AND AUDIT COMMITTEE
28th July 2023

CABINET EXECUTIVE
1st August 2023

REPORT AUTHOR:	**County Councillor David Thomas** **Portfolio Holder for Finance and Corporate Transformation**
REPORT TITLE:	**Treasury Management Year End Report**
REPORT FOR:	**Information**

1 Purpose

1.1 CIPFA's 2009 Treasury Management Bulletin suggested:
'In order to enshrine best practice, it is suggested that authorities report formally on treasury management activities at least twice a year and preferably quarterly.'

The CIPFA Code of Practice on Treasury Management emphasises a number of key areas including the following:

xi. Treasury management performance and policy setting should be subject to scrutiny prior to implementation.

1.2 In line with the above, this report is providing information on the activities for the quarter ending 31st March 2023 and the final position for the 2022/23 financial year.

2 Background

2.1 The Treasury Management Strategy approved by Full Council on 3rd March 2022 can be found here - Council (moderngov.co.uk)

3 Advice

3.1 Investments

3.2 The Authority's investment priorities within the Strategy are.

(a) the security of capital, then,
(b) the liquidity of its investments then
(c) the yield

3.3 The Authority aims to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite has been low in order to give priority to security of investments. With interest rates for investments remaining lower than borrowing rates, the use of cash reserves as opposed to borrowing is prudent and cost-effective.

3.4 Short-term money market investment rates have continued to increase following the two increases to the Bank Rate in the last quarter. Due to the uncertainty around the short term cash requirements, we have continued to hold any surplus funds in the council's deposit accounts. These funds have earned interest totalling £0.38 million this financial year.

3.5 Investment returns on inter-authority lending have increased in line with the increased interest rates. When looking at temporary investing, the Treasury team consider the bank fee to set up the arrangement, because of this cost some investments are not cost effective for very short periods of time. However, the Authority does not have sufficient certainty around its cashflow to lend for longer periods where the return is higher.

3.6 The Authority had no other investments on 31st March 2023.

3.7 Credit Rating Changes

3.8 There have been no credit rating changes relevant to this Authority's position during the last quarter.

3.9 The Authority's Capital Position

3.10 The 2022/23 Capital Programme was approved by Council on the 3rd March 2022. It included capital schemes totalling £133.88 million, of which £25.55 million related to the Housing Revenue Account (HRA). The revised programme at the 31st March 2023 was budgeted at £95.00 million following the successful award of additional grants and the reprofiling of budgets between financial years. Actual spend amounted to £65.54 million, representing 69% of the total budget.

3.11 Table 1 - Breakdown by service

Service	Original Budget	Virements Approved	Revised Budget	Actuals	Remaining Budget	
	£,000	£,000	£,000	£,000	£,000	%
Adult Services	712	482	1,194	301	893	75%
Childrens Services	0	1,491	1,491	1,184	307	21%
Education	27,868	399	28,267	19,135	9,132	32%
Highways Transport & Recycling	14,163	6,165	20,328	20,137	191	1%
Property, Planning & Public Protection	100	2,284	2,384	2,123	261	11%
Community Development	714	1,812	2,526	1,644	882	35%
Housing General Fund	1,748	1,159	2,907	1,010	1,897	65%
Economy & Digital Services	9,974	5,019	14,993	4,689	10,304	69%
Finance	53,047	(53,001)	46	0	46	100%
Total Capital	**108,326**	**(34,190)**	**74,136**	**50,223**	**23,913**	**32%**
Housing Revenue Account	25,550	(4,682)	20,868	15,320	5,548	27%
TOTAL	**133,876**	**(38,872)**	**95,004**	**65,543**	**29,461**	**31%**

3.12 33%, £21.48 million, of the capital expenditure has been financed by borrowing, the interest cost for this is charged to the revenue account.

3.13 Table 2 – Capital Programme funding

Funding	2022/23	
	£'000	%
Grants	35,154	54%
Revenue	8,797	13%
Borrowing	21,484	33%
Capital Receipts	109	0%
Total	**65,543**	

3.14 Inflation continues to have a severe impact on the cost of schemes due to rising material and construction costs. It is unclear at this stage how this will impact the programme over the coming years. Services are aware of the impact and are mitigating these increases as far as possible but is likely that schemes will be reduced or paused. Any additional funding required is likely to be raised with further borrowing, this will increase costs on the revenue budget so must be minimised.

3.15 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. It represents the current year's unfinanced capital expenditure and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

3.16 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure, the Council's cash position is managed to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through external borrowing or utilising temporary cash resources within the Council.

3.17 Net external borrowing (borrowings less investments) should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for the current year and next two financial years. This allows some flexibility for limited early borrowing for future years.

3.18 Capital Financing Requirement (CFR)

£'m	Total	HRA	Council Fund
Opening Balance – 1st April 2022			
Original Estimates[1]	**430.33**	106.83	323.50
Actual Balance	**405.21**	101.44	303.77
Closing Balance – 31st March 2023			
Original Estimates[1]	**468.25**	118.62	349.63
Quarter 1 Estimate	**441.92**	113.44	328.48
Quarter 2 Estimate	**429.58**	107.06	322.52
Quarter 3 Estimate	**428.00**	106.09	321.91
Actual Balance	**422.21**	104.31	317.90

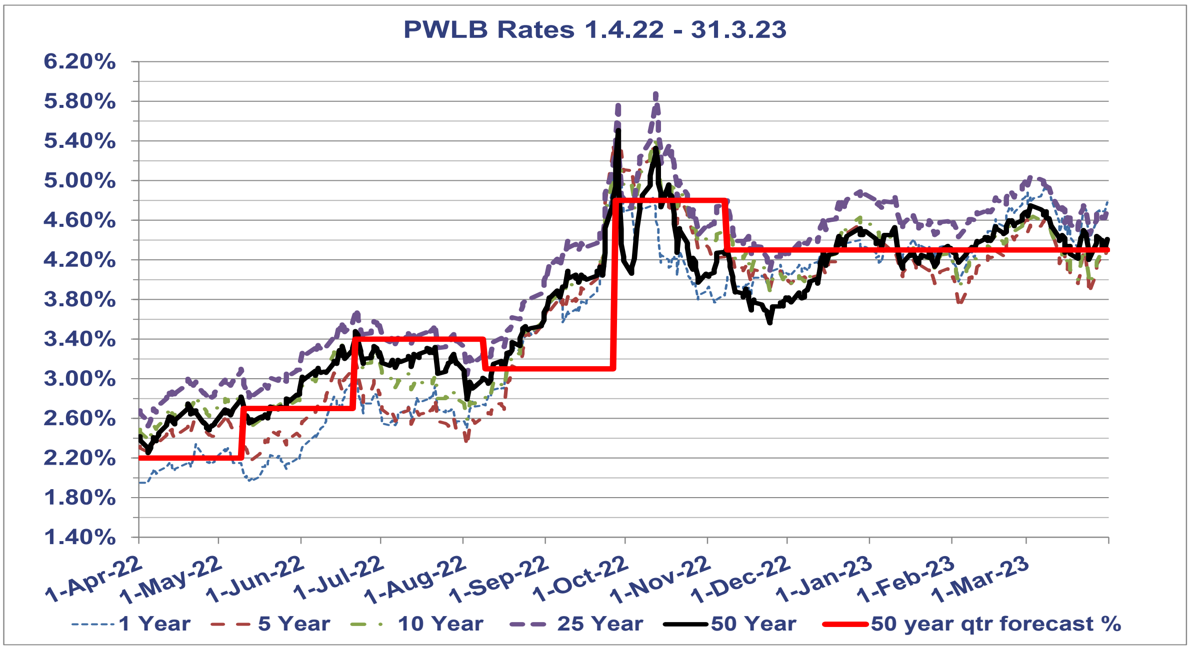
[1] Original estimate included in the Treasury Management Strategy approved by Full Council on 3rd March 2022 (excluding GCRE).

3.19 Borrowing / Re-scheduling

3.20 Effective management of the Authority's debt is essential to ensure that the impact of interest payable is minimised against our revenue accounts whilst maintaining prudent borrowing policies.

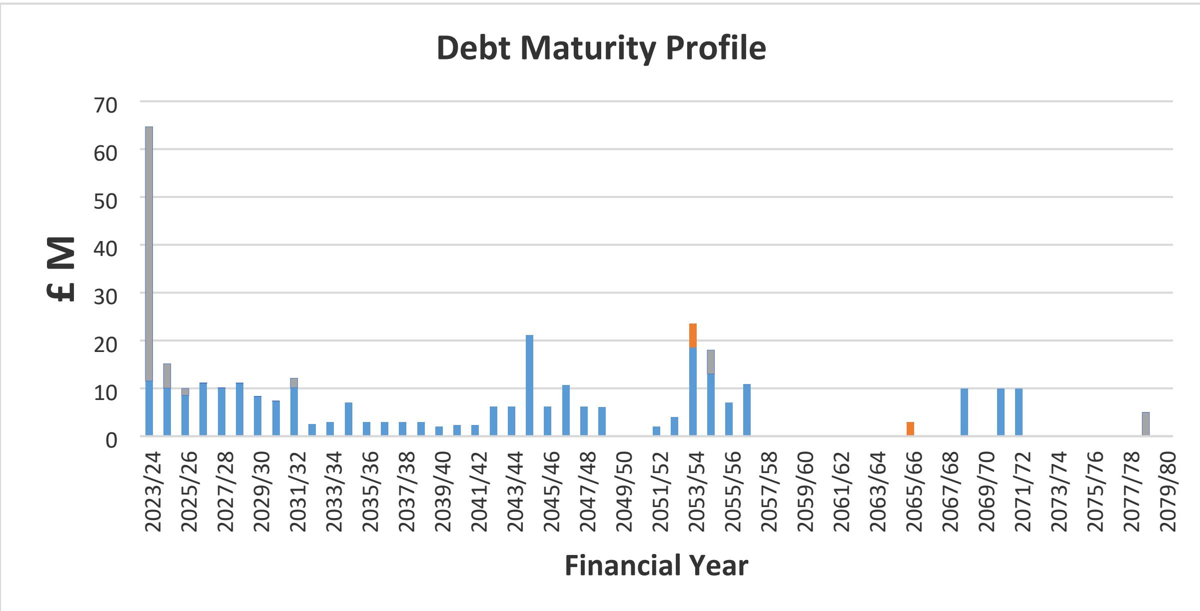
3.21 The finance team have been working with council's treasury advisors to investigate if it would be beneficial to refinance any of the existing loans. With the increase in gilt rates the opportunity was taken to redeem the last two Commerzbank LOBO's (totalling £7 million). Whilst there is a slight increase in costs for 2022/23 and 2023/24 it is anticipated that this will give a discounted saving, currently estimated at £1.10 million over the period of these loans. The finance team will monitor the markets for further debt rescheduling opportunities.

3.22 The chart below shows the changes in PWLB interest rates since the start of the financial year. PWLB borrowing rates are based on the Gilts market. Rates have fluctuated since the last report but remain significantly higher than at the start of the year.



3.23 A prohibition is still in place to deny access to borrowing from the Public Works Loan Board (PWLB) for any local authority which had purchase of assets for yield in its three year capital programme. There are currently no schemes for yield in the Capital Programme. With the significant amounts of borrowing in the future Capital Programme, the inability to access PWLB borrowing will need to be a major consideration for any future purchases of assets for yield. The additional income these assets generate must be sufficient to cover the increased borrowing costs, as borrowing sources other than the PWLB are likely to be more expensive.

3.24 Debt Maturity Profile



Key Blue = PWLB; Grey = Inter Authority Borrowing; Orange = Market Loans

3.25 £1.50 million PWLB borrowing has been repaid during the last quarter together with the early LOBO redemption mentioned earlier. With significant debt maturing in 2023/24 a decision was taken to borrow £15 million on a two year term from the PWLB. With the uncertain economic position and significantly higher interest rates, these loans were for a shorter term borrowing (just over 2 years). As outlined by Link later in this report, it is anticipated that borrowing rates will fall over the next few years, so we need to ensure that the council isn't locked into higher rate borrowing for long periods, to allow flexibility to take advantage should rates drop.

3.26 There was an underspend of £2.35 million on interest paid and MRP against the budget allocated. This has been transferred into a reserve to fund future capital schemes to reduce the borrowing requirement going forwards.

3.27 With the changes to the MRP policy and the delayed requirement to borrow, the revenue budget set aside to cover these costs was underutilised in 2022/23 And has been set aside to reduce the borrowing need in future years. With increases in the cost of borrowing the budget currently held will be required in future years.

3.29 PWLB Loans Rescheduling

3.30 Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields which have impacted PWLB new borrowing rates since October 2010. Existing borrowing rates remain lower than current rates, therefore no debt rescheduling has been undertaken to date in the current financial year.

3.31 Financing Costs to Net Revenue Stream

3.32 This indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the Councils net revenue budget (net revenue stream). The estimates of financing costs include current commitments and the proposals in the capital programme.

£'m	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
From the approved Treasury Management and Capital Strategy 2022/23			
Financing Costs	11.29	12.17	12.85
Net Revenue Stream	302.33	314.29	324.37
%	3.7%	3.9%	4.0%
2022/23 Actual			
Financing Costs	11.16	12.90	14.72
Net Revenue Stream	302.33	326.54	338.53
%	3.7%	4.0%	4.3%

3.33 The table above shows the capital financing costs and the change between those disclosed in the 2022/23 Treasury Management and Capital Strategy. These are broadly in line with the original estimate. Despite the increase in the cost of new borrowing during the year the final position is broadly in line with the original estimate due to the lower amount of borrowing that was actually required. There is sufficient budget to cover these costs in this financial year, future years increases have been factored into the proposed 2023/24 budget.

3.34 Prudential Indicators

3.35 All Treasury Management Prudential Indicators were complied with in the quarter ending 31st March 2023.

3.36 Economic Background and Forecasts

3.37 The forecast of interest rates by the Authority's advisor at the 27th March 2023 are shown below. The rates have fluctuated over the last few months but are expected to reduce slightly over the next few years. The current higher rates will increase the cost of borrowing over the next few years.

Link Group Interest Rate View	27.03.23											
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
BANK RATE	4.50	4.50	4.25	4.00	3.50	3.25	3.00	2.75	2.75	2.50	2.50	2.50
3 month ave earnings	4.50	4.50	4.30	4.00	3.50	3.30	3.00	2.80	2.80	2.50	2.50	2.50
6 month ave earnings	4.50	4.40	4.20	3.90	3.40	3.20	2.90	2.80	2.80	2.60	2.60	2.60
12 month ave earnings	4.50	4.40	4.20	3.80	3.30	3.10	2.70	2.70	2.70	2.70	2.70	2.70
5 yr PWLB	4.10	4.10	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20	3.20	3.10
10 yr PWLB	4.20	4.20	4.00	3.90	3.80	3.70	3.50	3.50	3.40	3.30	3.30	3.20
25 yr PWLB	4.60	4.50	4.40	4.20	4.10	4.00	3.80	3.70	3.60	3.50	3.50	3.40
50 yr PWLB	4.30	4.20	4.10	3.90	3.80	3.70	3.50	3.50	3.30	3.20	3.20	3.10

3.38 The economic background provided by our treasury advisers; Link Group at the 31st March 2023 is attached at Appendix A. It should be noted that this was provided at the end of the quarter and certain factors may have changed since then.

3.40 Sundry Debt

3.41 The prompt collection of debt and encouraging payment as soon as possible helps the Councils cashflow position, reducing the need for short term borrowing.

3.42 The following table outlines the Council's outstanding sundry debt at the 31st March 2023 of £11.64 million, down from £16.13 million last quarter. This does not include Council Tax arrears.

Service	Current Debt (30 days or less)	Aged Debt (31 to 60 days)	Aged Debt (61 - 90 days)	Aged Debt (Over 90 days)	Total Aged Debt	Change from previous quarter
Adult Services [2]	**1,832,124**	855,969	492,225	5,548,941	**6,897,135**	(4,934,544)
Children's Services	**199,697**	67297.88	4459.94	100,751	**172,509**	(40,453)
Corporate, Legal & Democratic Services	**17,333**	10,392	5760.02	2748.87	**18,901**	11,741
Digital Services	**81,202**	191,273	19,394	242,045	**452,712**	200,845
Finance	**98,354**	97,029	36,562	547,991	**681,582**	116,614
Highways, Transport & Recycling	**5,049,238**	507,998	104,473	555,561	**1,168,032**	112,774
Housing	**379,933**	1,719	4,191	652,263	**658,174**	(288,460)
Leisure	**18,251**	1,918	5,200	41,421	**48,539**	658
Other	**1,946**	91,898	-9,135	290,563	**373,326**	300,851
Property, Planning & Public Protection	**300,643**	69,355	106,745	651,149	**827,248**	42,211
Schools	**418,951**	93278.55	22522.28	161,191	**276,992**	27,885
Workforce and OD	**26,239**	35,133	4,084	30,036	**69,253**	(34,448)
Total	**8,423,911**	**2,023,261**	**796,482**	**8,824,662**	**11,644,404**	**(4,484,325)**

[2] There is a further £0.03 million outstanding debt with the local health board that sits outside this figure.

3.43 The £2.02 million shown in the current debt column relates to invoices that are less than 30 days old, overdue debt is classed as overdue when it is above 30 days after the invoice date.

3.44 The total debt represents 27% of the annual generated income (excluding Council Tax and NNDR), if you exclude the current debt (less than 30 days old) this falls to 16% down from 22% last quarter.

3.45 There is a significant level of aged debt (over 30 days old) which has increased by £2.60 million since the last quarter. The majority of that increase relates to Powys Teaching Health Board debt mainly within Social Care.

3.46 The table below shows the key performance indicators since the start of the financial year.

	PtHB Debt £'000	Non PtHB Debt £'000	Total Debt £'000	Deferred Charge Secured £'000	Payments Received £'000	Debt Written-off [3] £'000	Collection Rate
April	£3,750	£10,360	£14,110	£492	£4,662	£7	31%
May	£3,490	£10,180	£13,670	£513	£2,362	£2	39%
June	£5,920	£9,450	£15,370	£512	£2,991	£4	51%
July	£3,510	£9,550	£13,060	£455	£4,916	£0	61%
August	£3,470	£9,540	£13,010	£454	£2,452	£0	64%
September	£6,760	£10,730	£17,490	£454	£3,010	£2	54%
October	£5,340	£10,800	£16,140	£428	£5,834	£14	69%
November	£4,980	£10,540	£15,520	£428	£3,140	£0	75%
December	£8,170	£10,970	£19,140	£427	£3,235	£0	73%
January	£8,340	£8,630	£16,970	£427	£7,278	£0	97%
February	£2,470	£12,520	£14,990	£427	£3,999	£1,287	95%
March	£2,650	£17,410	£20,060	£426	£6,728	£10	80%

[3] Debt is written off in line with the council's debt policy.

3.47 The "deep dive" piece of work on the adult social care debt is in its final stages and will be reported back to Cabinet when completed.

3.48 Council Tax and NNDR Collection

3.49 The in-year collection rates at the end of March 2023 (Quarter 4) for Council tax and NNDR are shown below.

Council Tax 97.19% (0.13% down compared to same point during 2021/22)
NNDR 97.99% (0.58% down compared to same point during 2021/22)

3.50 £2.60 million of Council Tax and £0.37 million NNDR remains uncollected from previous financial years. Collection of monies during the ongoing cost of living crisis is challenging, however robust procedures are in place to pursue all monies owed to the Council, both for the current year and previous final years.

3.51 VAT

3.52 The Technical Section of Finance act as the authority's VAT section. VAT can pose a risk to the authority hence this report includes VAT information.

3.53 The monthly VAT returns were submitted within the required deadlines during this quarter.

3.54 Key Performance Indicators - The VAT KPI's for 2022/23 are attached at Appendix B.

3.55 The total amount of unrecovered VAT in 2022/23 was £75,037, this is an increase from £45,126 in 2021/22 but lower than 2020/21 which was £156,448. A breakdown of the 2022/23 figures is shown in Appendix B.

4. Resource Implications

a. N/A

5. Legal implications

5.1 N/A

6. Data Protection

6.1 N/A

7. Comment from local member(s)

7.1 N/A

8. Impact Assessment

8.1 N/A

9. Recommendation

9.1 This report has been provided for information and there are no decisions required.

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Appendix A

Economics update – Provided by Link Group on the 31st of March 2023

UK. Economy.

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022/23.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps in 2022. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	Eurozone	US
Bank Rate	4.25%	3%	4.75%-5%
GDP	0.1%q/q Q4 (4.1%y/y)	+0.1%q/q Q4 (1.9%y/y)	2.6% Q4 Annualised
Inflation	10.4%y/y (Feb)	6.9%y/y (Mar)	6.0%y/y (Feb)
Unemployment Rate	3.7% (Jan)	6.6% (Feb)	3.6% (Feb)

Q2 of 2022 saw UK GDP deliver growth of +0.1% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Q4 GDP was positive at 0.1% q/q. Most recently, January saw a 0.3% m/m increase in GDP as the number of strikes reduced compared to December. In addition, the resilience in activity at the end of 2022 was, in part, due to a 1.3% q/q rise in real household disposable incomes. A big part of that reflected the £5.7bn payments received by households from the government under the Energy Bills Support Scheme.

Nevertheless, CPI inflation picked up to what should be a peak reading of 11.1% in October, although hopes for significant falls from this level will very much rest on the movements in the gas and electricity markets, as well as the supply-side factors impacting food prices. On balance, most commentators expect the CPI measure of inflation to drop back towards 4% by the end of 2023. As of February 2023, CPI was 10.4%.

The UK unemployment rate fell through 2022 to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact remains, however, that with many economic participants registered as long-term sick, the UK labour force shrunk by c500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at over 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food (up 18.3% y/y in

February 2023) and energy that have endured since Russia's invasion of Ukraine on 22 February 2022.

Bank Rate increased steadily throughout 2022/23, starting at 0.75% and finishing at 4.25%.

In the interim, following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and October. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of the 17th of November gave rise to a net £55bn fiscal tightening, although much of the "heavy lifting" has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have reversed the increases seen under the previous tenants of No10/11 Downing Street, although they remain elevated in line with developed economies generally.

As noted above, GDP has been tepid throughout 2022/23, although the most recent composite Purchasing Manager Indices for the UK, US, EZ and China have all surprised to the upside, registering survey scores just above 50 (below suggests economies are contracting, and above suggests expansion). Whether that means a shallow recession, or worse, will be avoided is still unclear. Ultimately, the MPC will want to see material evidence of a reduction in inflationary pressures and a loosening in labour markets. Realistically, that is an unlikely outcome without unemployment rising and wage settlements falling from their current levels. At present, the bigger rise in employment kept the ILO unemployment rate unchanged at 3.7% in January. Also, while the number of job vacancies fell for the ninth consecutive month in February, they remained around 40% above pre-pandemic levels.

Our economic analysts, Capital Economics, expect real GDP to contract by around 0.2% q/q in Q1 and forecast a recession this year involving a 1.0% peak-to-trough fall in real GDP.

The £ has remained resilient of late, recovering from a record low of $1.035, on the Monday following the Truss government's "fiscal event", to $1.23. Notwithstanding the £'s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 4.5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

As for equity markets, the FTSE 100 started 2023 strongly, rising to a record high of 8,014 on 20th February, as resilient data and falling inflation boosted earnings. But global equities fell sharply after concerns over the health of the global banking system emerged early in March. The fall in the FTSE 100 was bigger than the drop in the US S&P 500. Indeed, at around 7,600 now, the FTSE is 5.2% below its record high on 20th February, while the S&P 500 is only 1.9% lower over the same period. That's despite UK banks having been less exposed and equity prices in the UK's financial sector not falling as far. It may be due to the smaller decline in UK interest rate expectations and bond yields, which raise the discounted value of future earnings, compared to the US.

USA. The flurry of comments from Fed officials over recent months suggest there is still an underlying hawkish theme to their outlook for interest rates. Markets are pricing in a further interest rate increases of 25-50bps, on top of the current interest rate range of 4.75% - 5%.

In addition, the Fed is expected to continue to run down its balance sheet once the on-going concerns about some elements of niche banking provision are in the rear-view mirror.

As for inflation, it is currently at c6% but with the economy expected to weaken during 2023, and wage data already falling back, there is the prospect that should the economy slide into a recession of any kind there will be scope for rates to be cut at the backend of 2023 or shortly after.

EU. Although the Euro-zone inflation rate has fallen below 7%, the ECB will still be mindful that it has further work to do to dampen inflation expectations and it seems destined to raise rates to 4% in order to do so. Like the UK, growth has remained more robust than anticipated but a recession in 2023 is still seen as likely by most commentators.

Appendix B

VAT - Key Performance Indicators

Creditor Invoices

VAT return for	No of high value Creditor invoices checked	No of Creditor invoices highlighted as requiring "proper" document for VAT recovery	% of creditor invoices checked requiring "proper" document for VAT recovery
Apr-22	269	3	1.12%
May-22	294	8	2.72%
Jun-22	247	4	1.62%
Jul-22	262	5	1.91%
Aug-22	230	4	1.74%
Sep-22	253	2	0.79%
Oct-22	311	4	1.29%
Nov-22	305	1	0.33%
Dec-22	263	1	0.38%
Jan-23	290	4	1.38%
Feb-23	303	2	0.66%
Mar-23	491	4	0.81%

Income Management Entries

VAT return for	No of entries checked by formula per the ledger account code used	No of entries needing follow up check (but not necessarily incorrect).	% of entries needing follow up check
Apr-22	857	0	0.00%
May-22	955	2	0.21%
Jun-22	1,080	0	0.00%
Jul-22	925	0	0.00%
Aug-22	1,077	2	0.19%
Sep-22	989	0	0.00%
Oct-22	953	1	0.10%
Nov-22	1,086	0	0.00%
Dec-22	925	3	0.32%
Jan-23	1,034	2	0.19%
Feb-23	1,035	0	0.00%
Mar-23	1,532	1	0.07%

Debtor Invoices

VAT return for	No of Debtor invoices checked	No of checked debtor invoices with incorrect VAT code used	% of debtor invoices with incorrect VAT code
Apr-22	81	0	0.00%
May-22	73	0	0.00%
Jun-22	84	0	0.00%
Jul-22	93	0	0.00%
Aug-22	96	0	0.00%
Sep-22	120	0	0.00%
Oct-22	137	2	1.46%
Nov-22	120	0	0.00%
Dec-22	118	0	0.00%
Jan-23	120	0	0.00%
Feb-23	130	2	1.54%
Mar-23	193	1	0.52%

Note: Debtors VAT checking is carried out by Finance via a work process prior to the invoice being raised hence the improvement in errors compared to previous years

Purchase Cards

VAT return for	No of transactions for which paperwork requested for checking	Resolvable errors discovered	Value of VAT potentially claimable but recharged to budget due to non- response	No of transactions where VAT claimed incorrectly	% of transactions available to be checked where VAT was claimed incorrectly	Value of VAT incorrectly claimed hence recharged to budget
Apr-22	155	22	£2,668.91	14	9.03%	£380.22
May-22	142	14	£2,159.74	25	17.61%	£196.73
Jun-22	141	15	£2,048.25	18	12.77%	£1,005.40
Jul-22	148	10	£883.67	21	14.19%	£1,244.60
Aug-22	116	27	£1,011.58	4	3.45%	£141.44
Sep-22	164	24	£2,402.72	27	16.46%	£1,329.19
Oct-22	158	9	£1,279.49	26	16.46%	£2,455.08
Nov-22	121	11	£1,274.16	1	0.83%	£25.87
Dec-22	78	1	£171.28	10	12.82%	£1,968.75
Jan-23	134	6	£1,516.31	19	14.18%	£2,006.28
Feb-23	137	8	£1,356.01	25	18.25%	£1,205.07
Mar-23	192	11	£2,200.75	25	13.02%	£926.19

Chargebacks to service areas

The upload of appropriate documents to the BSM (Barclaycard Spend Management purchase card system) to enable VAT recovery was made mandatory in September 2017 as a result of the lack of response from service areas/establishments to provide documents when requested. Where no document has been uploaded, any VAT amount input against the transaction is charged to the service area as there is no evidence to support the vat recovery.

Any other VAT errors that come to light as a result of the various checks are also charged to the relevant service areas.

Budget holders are able to see this clearly as chargebacks are coded to account code EX400600 and the activity code used alongside this gives the reason why this chargeback has occurred.

The total amount charged back to service areas in 2022/23 is £75,037 to date (excluding the VAT recovered relating to 2021/22). The breakdown of this is as follows:

Potentially correctable errors

Reason	Amount £
Not a tax invoice	32,976
Powys County Council is not the named customer	31
VAT registration not shown on invoice	282
No invoice uploaded to purchase card system	25,870
Invoice(s) do not match payment	2,801
No evidence to back recovery	0
Total	**61,641**
No Signed Authenticated Receipt [3]	(85,130)

[3] This relates to VAT recovered from the last financial year.

Other errors

Reason	Amount £
Non-domestic VAT	768
No tax on invoice	5,457
Supply not to Powys County Council	370
Over-accounting for VAT	6,610
Internal payments	126
VAT mismatch on refund	76
Total	**13,407**

Service	Not a tax invoice	PCC not the named customer	VAT reg not shown on invoice	No invoice uploaded to BSM	Invoices do not match payment	No signed authenticated receipt	Foreign VAT	No tax on invoice	Supply not to PCC	Over accounting for VAT	PCC internal payment	VAT mismatch on refund
Revenue												
Schools Delegated Budgets	3,565		282	10,997	1,952		285	4,796		6,435	126	10
Schools Service	1,171			301			12	57		37		9
Adults				45				43				10
Childrens	235			2,908	2			33		151		
Commissioning	804			697	475		17	4		3		
Highways, Transport & Recycling	2,579			2,563								
Community Development	1,082			348	308		36	2		3		
Property, Planning & Public Protection	8,319			579						959		
Housing General Fund	583	31		5,066	63			513	356	398		
Housing Revenue Account	1,892			1,196								11
Finance				316								37
Corporate Activities				474			1			-2,644		
Workforce & Organisational Development	760			117						1,267		
Economy & Digital Services	13			375			401					
Transformation & Communications				902			17		14			
Legal And Democratic				22								
Capital												
Schools	2,252					(85,130)						
Childrens	244			272								
Highways, Transport & Recycling	5,992			135								
Housing Revenue Account	1,421			35								
Economy & Digital Services	267											
Property, Planning & Public Protection	(504)			504								
Total	**30,675**	**31**	**282**	**27,852**	**2,801**	**(85,130)**	**768**	**5,448**	**370**	**6,608**	**126**	**76**