CYNGOR SIR *POWYS* COUNTY COUNCIL.

AUDIT COMMITTEE
21st May 2021

CABINET
25th May 2021

REPORT AUTHOR:	**COUNTY COUNCILLOR ALED DAVIES** **PORTFOLIO HOLDER FOR FINANCE**
REPORT TITLE:	**Treasury Management Quarter 4 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 2021.

2. Treasury Management Strategy

2.1 The link to the Treasury Management Strategy for 2020/21 approved by Full Council on 28th February 2020 is attached at Appendix A.

2.2 The Authority’s investment priorities within the Strategy are: -

(a) the security of capital and

(b) the liquidity of its investments.

2.3 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.

3. Welsh Government Repayable Funding for Global Centre of Rail Excellence

3.1 The council has accepted an offer from Welsh Government of £50 million interest free, repayable funding towards the development of the Global Centre of Rail Excellence (GCRE) in the south of the county. Planning approval is expected in summer 2021 and construction would then begin between 2021-2023 on the rail testing track and storage facilities.

3.2 The funding will be held by the council until it can be suitably invested in the project. If the investment is not able to be made, for whatever reason, the funds will be returned to Welsh Government. This funding must be held by the council until the investment is completed and cannot be used for any other purpose.

3.3 £33 million was received in March 2021, a further £10 million will be received in 2021/22 and £7 million in 2022/23.

4. Current Investments

4.1 It remains impossible to earn the level of interest commonly seen in previous decades as all short-term money market investment rates are barely above zero now that the Bank Rate is at 0.10%. Some entities are offering negative rates of return in some shorter time periods. Given this environment and the fact that increases in Bank Rate are unlikely to occur before the end of the current forecast horizon of 31st March 2024, investment returns are expected to remain low.

4.2 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 where interest rates are circa 0.02% - 0.03%. However, the Authority does not have sufficient certainty around its cashflow to lend for longer periods where the return is higher. As a result, not all available cash is currently earning interest.

4.3 The GCRE repayable funding is currently being held in the Council's deposit account.

4.4 The Authority had no other investments on 31st March 2021.

5. Credit Rating Changes

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

6. Borrowing / Re-scheduling

6.1 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. To ensure sufficient cash was available to cover expenditure over the financial year end, £20 million of short term borrowing (less than 3 month term) from other local authorities was sourced. The interest rate payable was 0.03%.

6.2 On the 25th of November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates. Both the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the 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.

6.3 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.

6.4 **The Authority's Capital Position**

6.5 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. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. 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.

6.6 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury manager organises the Council's cash position 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.

6.7 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.

6.8 Original CFR Position (per original approved budget)

£'m	As at 31st March 2020 Actual	2020/21 Original Estimate	2021/22 Original Estimate	2022/23 Original Estimate
Capital Financing Requirement	378.46	447.47	497.19	517.29

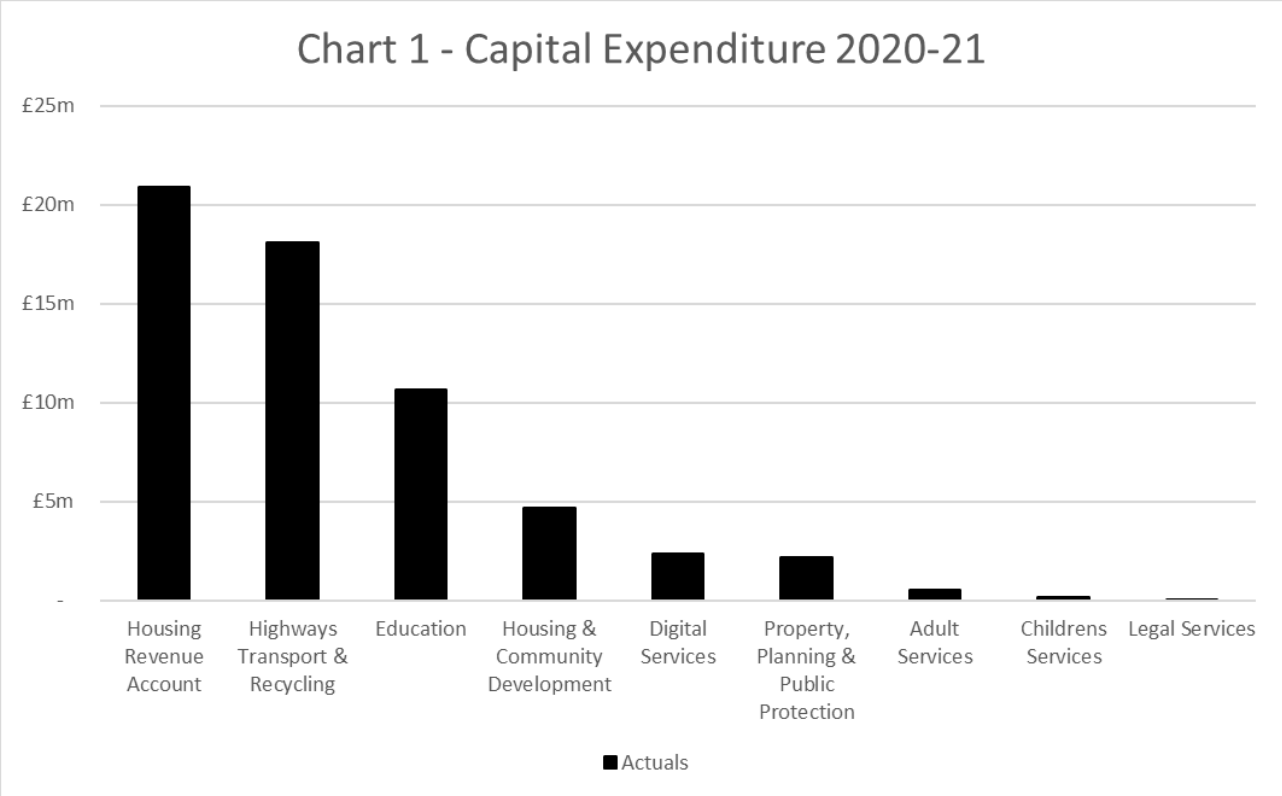
6.9 Updated CFR position as at 31st March 2021

£'m	As at 31st March 2020 Actual	As at 31st March 2021 Actual	2021/22 Current Estimate	2022/23 Current Estimate
Capital Financing Requirement	378.46	397.10	460.47	505.24

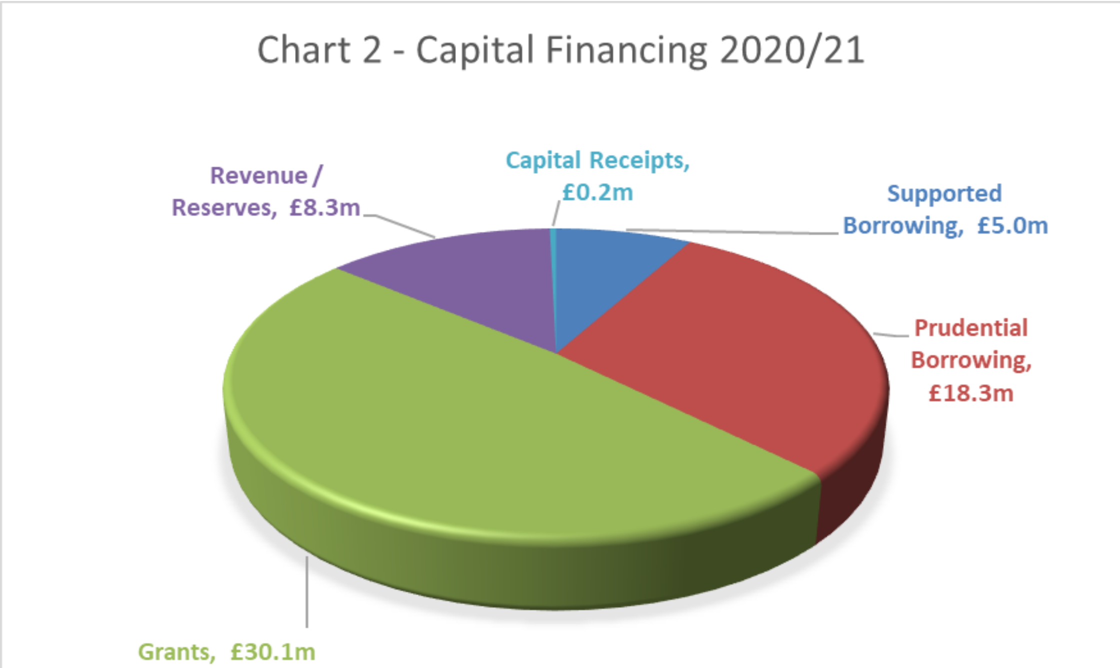
6.10 The Authority had outstanding long-term external debt of £347.7 million at 31st March 2021 (excluding the GCRE repayable funding). In relation to the CFR figure for 31st March 2021, this equated to the Authority being under borrowed by £49.4 million. Using cash reserves as opposed to borrowing has been a prudent and cost-effective approach over the last few years. However, members will be aware that internal borrowing is only a temporary situation and officers have advised that, based on capital estimates, it will be necessary for the Authority to borrow at stages over the next few years.

6.11 **Capital Budget/Spend and Prudential Borrowing**

£'m	Original Approved Budget	Revised Working Budget	Actual Capital Spend	Spend % of Working Budget
	132.87			
30th June 2020		123.68	7.91	6%
30th September 2020		115.05	21.62	19%
31st December 2020		95.85	39.52	41%
31st March 2021		72.91	61.83	85%



6.12 The financing of the original capital budget included £56.89 million of Prudential Borrowing, following reprofiling of numerous schemes into future years the budget had fallen to £23.6 million by year end. A considerable amount of unexpected grant income was received in the last quarter, this reduced the final prudential borrowing requirement to £18.3 million. Chart 2 below shows how the capital expenditure has been financed.



6.14 A revised MRP policy was approved by Council on the 19th March 2021 to ensure that the MRP and interest on borrowing were charged to the revenue budget equally over the life of the asset on which the borrowing was required. Whilst this would result in a reduced MRP requirement in the short term, the MRP contribution for 2020/21 remains unchanged to reduce the councils underlying need to borrow, the amount of the debt finance required, interest charges and exposure increases in interest rates.

6.15 The revenue expenditure to cover the borrowing for past and present capital schemes is charged to the revenue budget, the table below shows the breakdown for 2020/21.

Table 1 – Revenue expenditure covering borrowing and MRP.

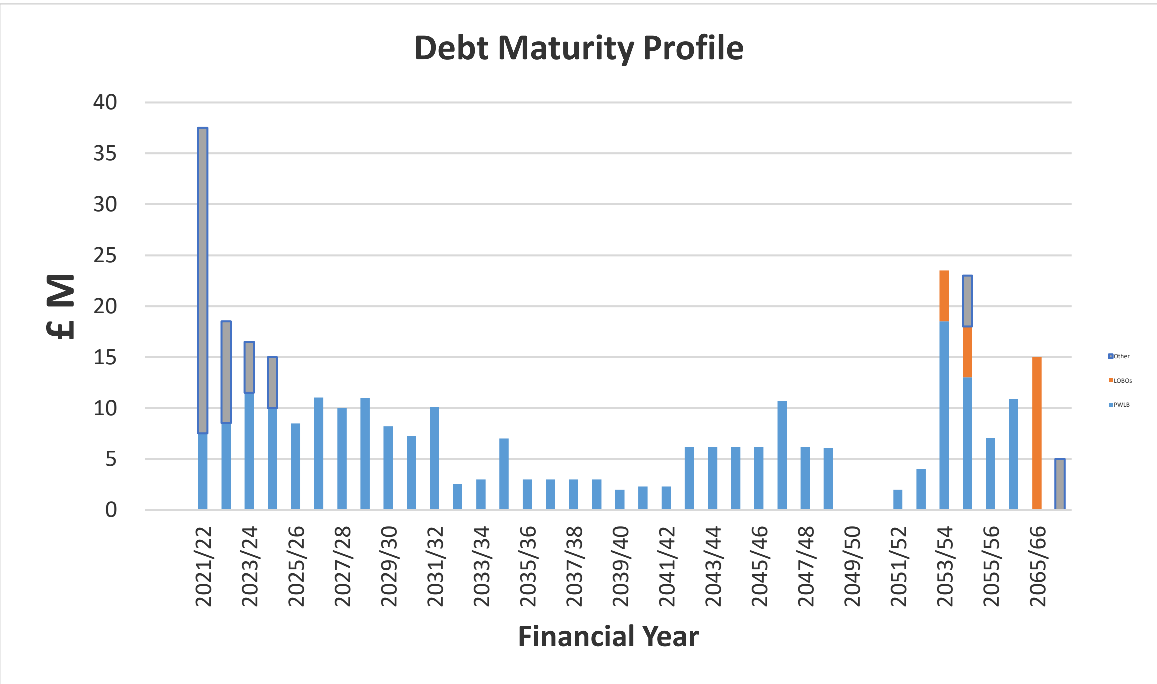
Interest Paid	£	11.353m
MRP	£	3.472m
MRP Overprovision*	£	0.767m
Total	**£**	**15.592m**
Costs attributable to		
HRA	£	5.426m
Council	£	10.166m

* Overprovision included as part of the 2021-22 Budget and Capital Programme for 2021-2031 approved by Council on the 25th February 2021.

6.16 Based on the amounts above, 3.8% of our net revenue budget of £269 million is supporting the past and present capital spend. It is essential that the investment in our capital programme is affordable over the short, medium, and longer term and can demonstrate tangible benefits linked to the council's priorities.

6.17 The 2021/22 capital programme includes £10 million supported borrowing and £59 million prudential borrowing (before any remaining reprofiling from 2020/21). A capital programme review is currently in progress which is looking to ensure the affordability of the Council's capital plans.

6.18 **Debt Maturity Profile as at 31st March 2021.**



<u>Key</u>

Blue = PWLB; Grey = Market Loans including other local authorities; Orange = LOBOs

6.19 A total of £25 million of debt has been repaid during the financial year (£15 million market loans and £10 million PWLB). This has been absorbed through the maturing of investments held and the short term borrowing acquired to cover year end expenditure. With a further £37 million of debt maturing in 2021/22 it is unlikely that there will be sufficient resources to absorb this repayment so new borrowing will be required. Additional borrowing will also be required to fund the ongoing capital programme.

6.20 **PWLB Loans Rescheduling**

6.21 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. No debt rescheduling has therefore been undertaken to date in the current financial year.

7. Prudential Indicators

7.1 All Treasury Management Prudential Indicators were complied with in the quarter ending 31st March 2021.

8. Economic Background and Forecasts

8.1 The most recent forecast of interest rates by the Authority's advisor is as follows:

	Jun 21	**Sep 21**	**Dec 21**	**Mar 22**	**Mar 23**	**Mar 24**
Bank rate	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
5yr PWLB	1.20%	1.20%	1.20%	1.20%	1.30%	1.30%
10yr PWLB	1.60%	1.60%	1.60%	1.70%	1.80%	1.90%
25yr PWLB	2.10%	2.10%	2.20%	2.30%	2.40%	2.50%
50yr PWLB	1.90%	1.90%	2.00%	2.10%	2.20%	2.30%

8.2 The economic background provided by our treasury advisers; Link Group is attached at Appendix B.

9. VAT

9.1 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.

9.2 The monthly VAT returns were submitted within the required deadlines during the quarter ending 31st March 2021.

9.3 **Key Performance Indicators -** The VAT KPI's for 2020/21 are attached at Appendix C.

10. Advice

N/A

11. Resource Implications

N/A

12. Legal implications

N/A

13. Comment from local member(s)

N/A

14. Integrated Impact Assessment

N/A

15. Recommendation

15.1 This report has been provided for information and there are no decisions required. It is recommended that this report be accepted.

Contact Officer:	James Chappelle
Tel:	01597 826492
Email:	james.chappelle@powys.gov.uk
Head of Service:	Jane Thomas

Appendix A:

The Approved Treasury Management Strategy 2020/21 can be found here:

https://powysintranet.moderngov.co.uk/documents/s48653/Appendix%20F%20TM%20capital%20strategy%202020-21.pdf

Extracts relating to investments in Group/Institutions - Counterparty Criteria/Limits:

Specified Investments:

Institution	**Maximum Investment per Group/Institution £'m**	**Maximum Length**	**Credit Rating/Other Assessment of Risk**
UK Banks	30	Up to 364 days	As per Link's matrices
Foreign Banks	5	Up to 364 days	As per Link's matrices
Other Local Authorities	25	Up to 5 years	N/A

Non-Specified Investments:

Institution	**Maximum Investment per Group/Institution £'m**	**Maximum Length**	**Credit Rating/Other Assessment of Risk**
UK Banks	10 (£5m limit with any one institution)	Up to 2 years	As per Link's matrices
Foreign Banks	2	Up to 2 years	As per Link's matrices
Money Market Funds (max. of 5)	10	N/A	All are AAA rated
Other Local Authorities	10	Up to 5 years	N/A
Note: Limits for Specified and Non-Specified are combined limits. The maximum limit will also apply to a banking group as a whole.			

Appendix B

Economic Background

UK. The key quarterly Monetary Policy Report meeting of the Bank of England's Monetary Policy Committee (MPC) kept Bank Rate and quantitative easing (QE) unchanged on 4th February, (as it also did at its 18th March meeting). However, it revised its economic forecasts to take account of a third national lockdown which started on 5th January, which is going to further delay economic recovery and do further damage to the economy. Although its short-term forecasts were cut for 2021 due to the start of a third lockdown in early January, the medium-term forecasts were more optimistic than in November, based on an assumption that the current lockdown will be gradually eased after Q1 as vaccines are gradually rolled out and life can then start to go back to some sort of normality. The Bank's main assumptions were:

- The economy would start to recover strongly from Q3 2021 although it acknowledged there were downside risks from virus mutations etc.

- £125bn of savings made by consumers during the pandemic will give a big boost to the pace of economic recovery once lockdown restrictions are eased and consumers can resume high street shopping, going to pubs and restaurants and taking holidays.

- The economy would still recover to reach its pre-pandemic level by Q1 2022 despite a long lockdown in Q1 2021. Spare capacity in the economy would be eliminated in Q1 2022 and there would be excess demand in the economy by Q4 2022.

- CPI inflation was forecast to rise quite sharply towards the 2% target in the first half of 2021 due to some temporary factors, (e.g. the reduction in VAT for certain services comes to an end) and given developments in energy prices. CPI inflation was projected to be close to 2% in 2022 and 2023.

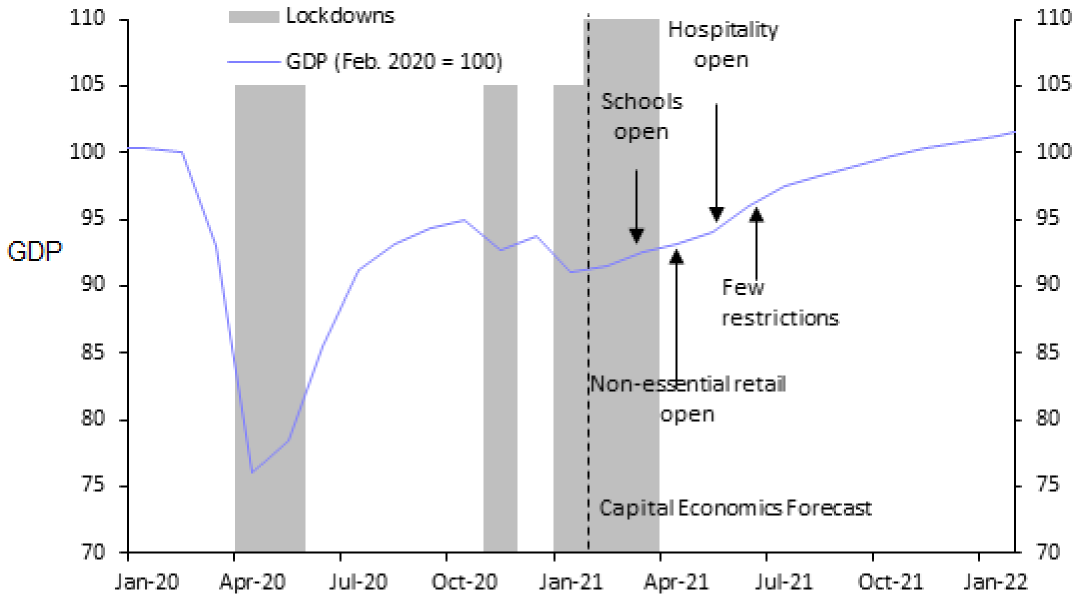
- The MPC reiterated its previous guidance that Bank Rate would not rise until inflation was sustainably above 2%. This means that it will tolerate inflation running above 2% from time to time to balance out periods during which inflation is below 2%. This is termed average inflation targeting. While financial markets are pricing in Bank Rate starting to rise by the end of 2022, this policy could mean that Bank Rate does not rise until as late as 2026.

- The Bank of England removed negative interest rates as a possibility for at least six months as financial institutions were not ready to implement them. As in six months' time the economy should be starting to grow strongly, this effectively means that negative rates occurring were unlikely during the current downturn. (Gilt yields and PWLB rates jumped upwards after the removal of negative rates as a key risk in the short-term.)

There are two views in respect of Bank Rate beyond our three-year time horizon:

- The MPC will be keen to raise Bank Rate as soon as possible in order for it to be a usable tool when the next economic downturn comes along. This is in line with thinking on Bank Rate over the last 20 years; financial markets are currently pricing in Bank Rate starting to rise by the end of 2022.

- Conversely, that we need to adjust to the new post-pandemic era that we are now in. In this new era, the shift to average inflation targeting has set a high bar for raising Bank Rate i.e. only when inflation has demonstrated that it has risen sustainably above 2%. In addition, many governments around the world have been saddled with high levels of debt. When central bank rates are low, and below the average GDP growth rate, the debt to GDP ratio will gradually fall each year without having to use fiscal tools such as raising taxes or austerity programmes, (which would depress economic growth and recovery). This could therefore result in governments revising the setting of mandates to their national central banks to allow a higher rate of inflation linked to other economic targets. This is the Capital Economics view – that Bank Rate will not rise for the next five years and could then struggle to get to 1% within 10 years.



COVID-19 vaccines. These have been the game changer which have enormously boosted confidence that life in the UK could largely return to normal during the second half of 2021 after a third wave of the virus threatened to overwhelm hospitals around the start of the year. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in the still-depressed sectors like restaurants, travel and hotels. The UK has made fast progress with giving a first jab to half of all adults and this programme should be completed in the second half of the year. The big question is whether mutations of the virus could develop which render current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread.

The Budget on 3rd March increased fiscal support to the economy and employment during 2021 and 2022 followed by substantial tax rises in the following three years to help to pay the cost for the pandemic. This will help further to strengthen the economic recovery from the pandemic and to return the government's finances to a balanced budget on a current expenditure and income basis in 2025/26. This will stop the Debt to GDP ratio rising further from 100%. An area of concern, though, is that the government's debt is now twice as sensitive to interest rate rises as before the pandemic due to QE operations substituting fixed long-term debt for floating rate debt; there is, therefore, much incentive for the Government to promote Bank Rate staying low e.g. by using fiscal policy in conjunction with the monetary policy action by the Bank of England to keep inflation from rising too high, and / or by amending the Bank's policy mandate to allow for a higher target for inflation.

Brexit. The final agreement on 24th December 2020 eliminated a significant downside risk for the UK economy. The initial agreement only covered trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. There was much disruption to trade in January as form filling has proved to be a formidable barrier to trade. This appears to have eased somewhat since then but is an area that needs further work to ease difficulties, which are still acute in some areas.

US. The Democrats won the presidential election in November 2020 and have control of both Congress and the Senate, although power is more limited in the latter. This enabled the Democrats to pass a $1.9trn (8.8% of GDP) stimulus package in March on top of the $900bn fiscal stimulus deal passed by Congress in late December. These, together with the vaccine rollout proceeding swiftly to hit the target of giving a first jab to over half of the population within the President's first 100 days, will promote a rapid easing of restrictions and strong economic recovery during 2021. The Democrats are also planning to pass a $2trn fiscal stimulus package aimed at renewing infrastructure over the next decade. Although this package is longer-term, if passed, it would also help economic recovery in the near-term.

After Chair Jerome Powell unveiled the Fed's adoption of a flexible average inflation target in his Jackson Hole speech in late August 2020, the mid-September meeting of the Fed agreed by a majority to a toned down version of the new inflation target in his speech - that "it would likely be appropriate to maintain the current target range until labour market conditions were judged to be consistent with the Committee's assessments of maximum employment and inflation had risen to 2% and was on track to moderately exceed 2% for some time." This change was aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary "trap" like Japan. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade, (and this year), so financial markets took note that higher levels of inflation are likely to be in the pipeline; long-term bond yields duly rose after the meeting. There is now some expectation that where the Fed has led in changing its policy towards implementing its inflation and full employment mandate, other major central banks will follow, as indeed the Bank of England has done so already. The Fed expects strong economic growth this year to have only a transitory impact on inflation, which explains why the majority of Fed officials project US interest rates to remain near-zero through to the end of 2023. The key message is still that policy will remain unusually accommodative – with near-zero rates and asset purchases – continuing for several more years. This is likely to result in keeping treasury yields at historically low levels – which will also have an influence on gilt yields in this country.

EU. Both the roll out and take up of vaccines has been disappointingly slow in the EU, at a time when many countries are experiencing a sharp rise in cases which are threatening to overwhelm hospitals in some major countries; this has led to renewed severe restrictions or lockdowns during March. This will inevitably put back economic recovery after the economy had staged a rapid rebound from the first lockdowns in Q3 but contracted slightly in Q4 to end 2020 only 4.9% below its pre-pandemic level. Recovery will now be delayed until Q3 of 2021 and a return to pre-pandemic levels is expected in the second half of 2022.

Inflation is likely to rise sharply to around 2% during 2021 for a short period, but as this will be transitory due to one-off factors, it will cause the ECB little concern. It is currently unlikely that it will cut its central rate even further into negative territory from -0.5%, although the ECB has stated that it retains this as a possible tool to use. The ECB's December 2020 meeting added a further €500bn to the PEPP scheme, (purchase of government and other bonds), and extended the duration of the programme to March 2022 and re-investing maturities for an additional year until December 2023. Three additional tranches of TLTRO, (cheap loans to banks), were approved, indicating that support will last beyond the impact of the pandemic, implying indirect yield curve control for government bonds for some time ahead. The total PEPP scheme of €1,850bn of QE which started in March 2020 is providing protection to the sovereign bond yields of weaker countries like Italy. There is, therefore, unlikely to be a euro crisis while the ECB is able to maintain this level of support. The March ECB meeting also took action to suppress the rise in long bond yields by stepping up its monthly PEPP purchases.

China. After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and then into Q3 and Q4; this has enabled China to recover all of the contraction in Q1. Policy makers have both quashed the virus and implemented a programme of monetary and fiscal support that has been particularly effective at stimulating short-term growth. After making a rapid recovery in 20/21, growth is likely to be tepid in 21/22.

Japan. A third round of fiscal stimulus in early December took total fresh fiscal spending in 2020 in response to the virus close to 12% of pre-virus GDP. That is huge by past standards, and one of the largest national fiscal responses. The budget deficit is now likely to reach 16% of GDP in 2020/21. Coupled with Japan's relative success in containing the virus without draconian measures so far, and the roll out of vaccines gathering momentum, the government's latest fiscal effort should help to ensure a strong recovery and to get back to pre-virus levels by Q3 2021 – around the same time as the US and much sooner than the Eurozone.

World growth. World growth was in recession in 2020. Inflation is unlikely to be a problem in most countries for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

Impact on gilt yields and PWLB rates in 2021. Since the start of 2021 gilt yields and PWLB rates have risen sharply. What has unsettled financial markets has been a $1.9trn (equivalent to 8.8% of GDP) fiscal boost for the US economy as a recovery package from the Covid pandemic, in addition to the $900bn support package passed in December. Financial markets have been alarmed that the two packages could cause an excess of demand in the economy which could unleash inflationary pressures and force the FOMC to take much earlier action to start increasing the Fed rate from near zero, despite their stated policy being to target average inflation and saying that increases were unlikely in the next few years.

A further concern in financial markets is when will the Fed end quantitative easing (QE) purchases of treasuries and how they will gradually wind it down. These ongoing monthly purchases are currently acting as downward pressure on treasury yields. Nonetheless, during late February and in March, yields rose sharply. As the US financial markets are, by far, the biggest financial markets in the world, any trend upwards there will invariably impact and influence financial markets in other countries. It is noticeable that gilt yields moved higher after the MPC meeting in early February as a result of both developments in the US, and financial markets also expecting a similarly rapid recovery of the UK economy as in the US; both countries were expected to make similarly rapid progress with vaccinating their citizens and easing Covid restrictions. They are therefore, expecting inflation to also increase more quickly in the UK and cause the MPC to respond by raising Bank Rate more quickly than had previously been expected.

Deglobalisation. Until recent years, world growth has been boosted by increasing globalisation i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last 30 years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. In March 2021, western democracies implemented limited sanctions against a few officials in charge of government policy on the Uighurs in Xinjiang; this led to a much bigger retaliation by China and is likely to mean that the China / EU investment deal then being negotiated, will be torn up. After the pandemic exposed how frail extended supply lines were around the world, both factors are now likely to lead to a sharp retrenchment of economies into two blocs of western democracies v. autocracies. It is, therefore, likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China to supply products and vice versa. This is likely to reduce world growth rates.

Central banks' monetary policy. During the pandemic, the governments of western countries have provided massive fiscal support to their economies which has resulted in a big increase in total government debt in each country. It is therefore very important that bond yields stay low while debt to GDP ratios slowly subside under the impact of economic growth. This provides governments with a good reason to amend the mandates given to central banks to allow higher average levels of inflation than we have generally seen over the last couple of decades. Both the Fed and Bank of England have already changed their policy towards implementing their existing mandates on inflation, (and full employment), to hitting an average level of inflation. Greater emphasis could also be placed on hitting subsidiary targets e.g. full employment before raising rates. Higher average rates of inflation would also help to erode the real value of government debt more quickly.

Appendix C

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-20	171	3	1.75%
May-20	132	0	0.00%
Jun-20	172	1	0.58%
Jul-20	189	1	0.53%
Aug-20	161	1	0.62%
Sep-20	222	1	0.45%
Oct-20	216	2	0.93%
Nov-20	201	1	0.50%
Dec-20	221	1	0.45%
Jan-21	197	1	0.51%
Feb-21	238	2	0.84%
Mar-21	380	6	1.58%

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-20	648	1	0.15%
May-20	555	6	1.08%
Jun-20	711	21	2.95%
Jul-20	709	4	0.56%
Aug-20	705	3	0.43%
Sep-20	902	5	0.55%
Oct-20	909	0	0.00%
Nov-20	803	1	0.12%
Dec-20	697	0	0.00%
Jan-21	741	0	0.00%
Feb-21	907	1	0.11%
Mar-21	1.132	0	0.00%

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-20	49	6	12.24%
May-20	41	0	0.00%
Jun-20	70	0	0.00%
Jul-20	79	10	12.66%
Aug-20	84	1	1.19%
Sep-20	77	0	0.00%
Oct-20	71	0	0.00%
Nov-20	70	1	1.43%
Dec-20	72	0	0.00%
Jan-21	101	3	2.97%
Feb-21	92	0	0.00%
Mar-21	123	0	0.00%

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-20	128	9	£2,314.57	7	5.47%	£418.08
May-20	89	0	£0.00	5	5.62%	£268.05
Jun-20	99	2	£812.00	4	4.04%	£357.51
Jul-20	142	3	£321.90	8	5.63%	£542.96
Aug-20	66	3	£706.86	4	6.06%	£48.63
Sep-20	216[1]	6	£1,287.12	34	15.74%	£1,074.67
Oct-20	171	13	£1,050.57	17	9.94%	£314.34
Nov-20	207	3	£641.47	18	8.70%	£1,048.13
Dec-20	174	8	£979.34	16	9.20%	£356.33
Jan-21	193	10	£1,121.47	12	6.22%	£572.14
Feb-21	195	3	£380.24	12	6.15%	£395.85
Mar-21	433	49	£9,610.35	27	6.24%	£2410.93

[1] Please note that the amount previously listed (2,016) was due to a typo in the KPI spreadsheet. As such the other stats for this period have been updated to reflect the corrected figures.

Chargebacks to service areas

The upload of appropriate documents to the Barclaycard 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 2020/21 to end of March is £93,256.74. The breakdown of this is as follows:

Potentially correctable errors

Reason	Amount £
Not a tax invoice	22,961.02
Powys County Council is not the named customer	176.03
No invoice uploaded to purchase card system	45,461.40
Invoice(s) do not match payment	2,338.11
No evidence to back recovery	138.08
Total	**71,074.64**

Other errors

Reason	Amount £
Non-domestic VAT	290.22
No tax on invoice	2,700.07
Supply not to Powys County Council	7,870.60
Over-accounting for VAT	8,213.52
Internal payments	17.62
Unspecified issues	3,090.07
Total	**22,182.10**