

CYNGOR SIR POWYS COUNTY COUNCIL.

AUDIT COMMITTEE
24th November 2023

CABINET EXECUTIVE
19th December 2023

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Portfolio Holder for Finance and Corporate
Transformation

REPORT TITLE: Treasury Management Quarter 2 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 30th September 2023.

2 Background

2.1 The Capital and Treasury Management Strategy (CTMS) approved by Full Council on 23rd February 2023 can be found here - powys.moderngov.co.uk/documents/s77379/Appendix_H_Capital_and_Treasury_Management_Strategy_2023-28.pdf

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 £0.55 million for the first quarter of 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. With the higher interest rates, £10.00 million of inter-authority lending was arranged in September with the loans maturing in October.

3.6 The Authority had no other investments on 30th September 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

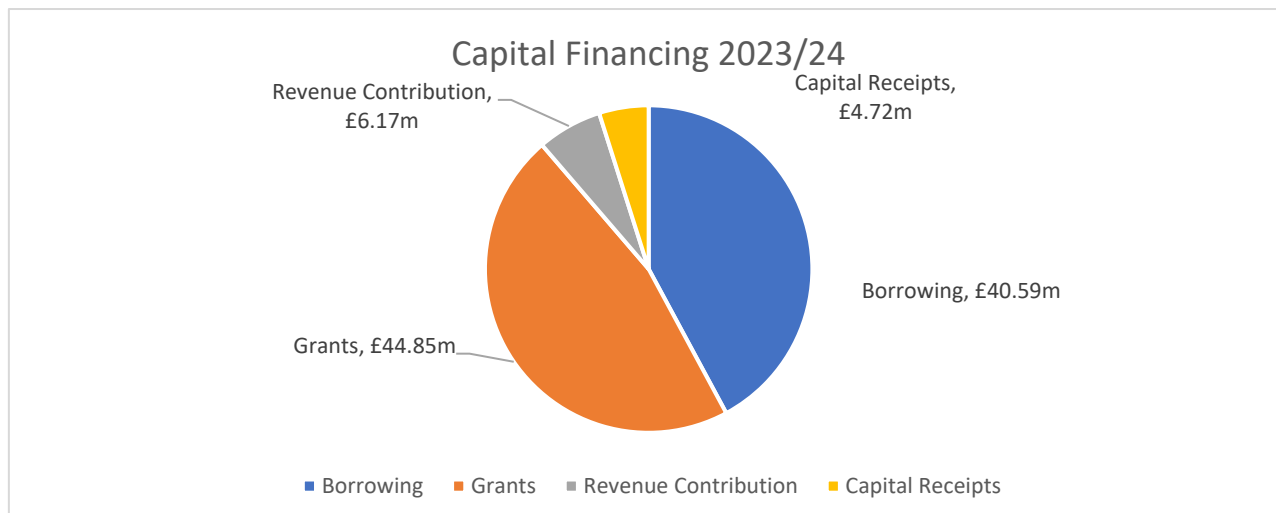
3.10 The 2023/24 Capital Programme was approved by Council on the 23rd February 2023. It included capital schemes totalling £93.29 million, of which £23.48 million related to the Housing Revenue Account (HRA). The programme has been updated following the reprofiling of projects and additional grants received from Welsh Government. The revised programme at the 30th September 2023 is budgeted at £96.32 million following the successful award of additional grants and the reprofiling of budgets between financial years. Actual spend amounts to £22.85 million, representing 24% of the total budget.

3.11 Table 1 - Breakdown by service

Service	Original Budget	Virements Approved	Revised Budget	Actuals	Remaining Budget		Commitments
	£,000	£,000	£,000	£,000	£,000	%	£,000
Adult Services	200	922	1,122	65	1,057	94	405
Childrens Services	0	379	379	102	277	73	121
Education	33,005	(5,238)	27,767	7,670	20,097	72	10,231
Highways Transport & Recycling	12,681	7,078	19,759	7,210	12,549	64	4,442
Property, Planning & Public Protection	100	998	1,098	305	793	72	126
Community Development	922	1,337	2,259	21	2,238	99	595
Housing General Fund	1,748	1,279	3,027	1,043	1,984	66	469
Economy & Digital Services	16,196	(1,679)	14,519	1,234	13,283	91	6,821
Unallocated	4,953	(454)	4,499	0	4,499	100	75
Total Capital	69,805	4,622	74,427	17,650	56,777	76	23,285
Housing Revenue Account	23,482	(1,587)	21,895	5,195	16,700	76	4,483
TOTAL	93,287	3,035	96,322	22,845	73,477	76	27,768

3.12 Currently 42%, £40.59 million, of the capital expenditure is budgeted to be financed by borrowing, the interest cost for this is charged to the revenue account. Finance will be working with the services to ensure the profiling of budgets is accurate to effectively manage the borrowing.

3.13 Chart 1 – Capital Programme funding



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 it 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)**

The table below shows the impact of the reprofiling of schemes included in the capital programme into future years, with the CFR reducing in this financial year, delaying the increase until future years.

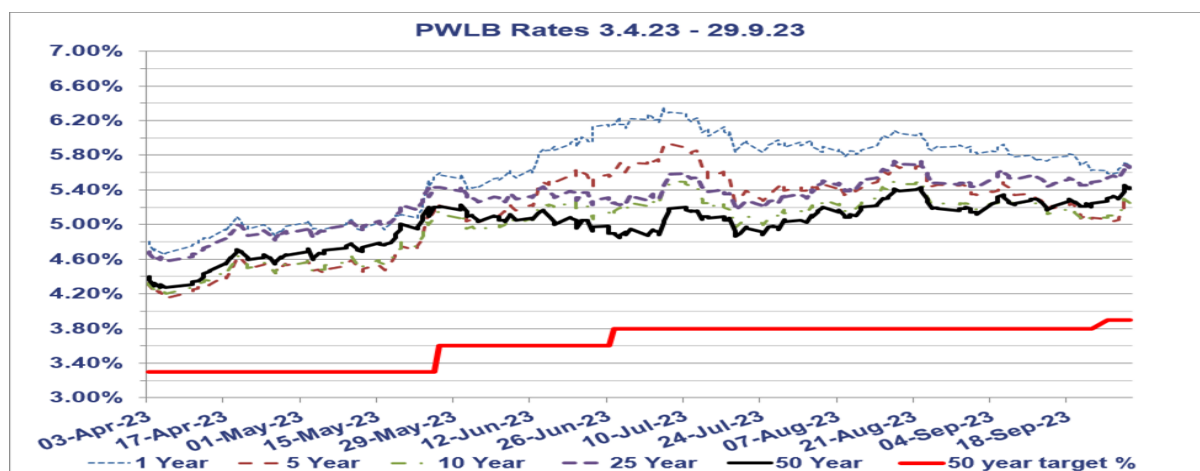
£'m	Total	HRA	Council Fund
Opening Balance – 1st April 2023			
Original Estimates ¹	439.71	108.50	331.21
Actual Balance	422.21	104.31	317.90
Closing Balance – 31st March 2024			
Original Estimates ¹	466.79	119.45	347.34
Quarter 1 Estimate	465.53	120.76	344.77
Quarter 2 Estimate	457.93	114.41	343.52
Closing Balance – 31st March 2025			
Original Estimates ¹	498.71	135.79	362.92
Quarter 1 Estimate	497.81	136.75	361.06
Quarter 2 Estimate	499.69	138.09	361.60
Closing Balance – 31st March 2026			
Original Estimates ¹	536.72	157.13	379.59
Quarter 1 Estimate	529.73	157.74	369.99
Quarter 2 Estimate	536.27	165.44	370.83

¹ Original estimate included in the CTMS approved by Full Council on 23rd February 2023.

3.19 Borrowing / Re-scheduling

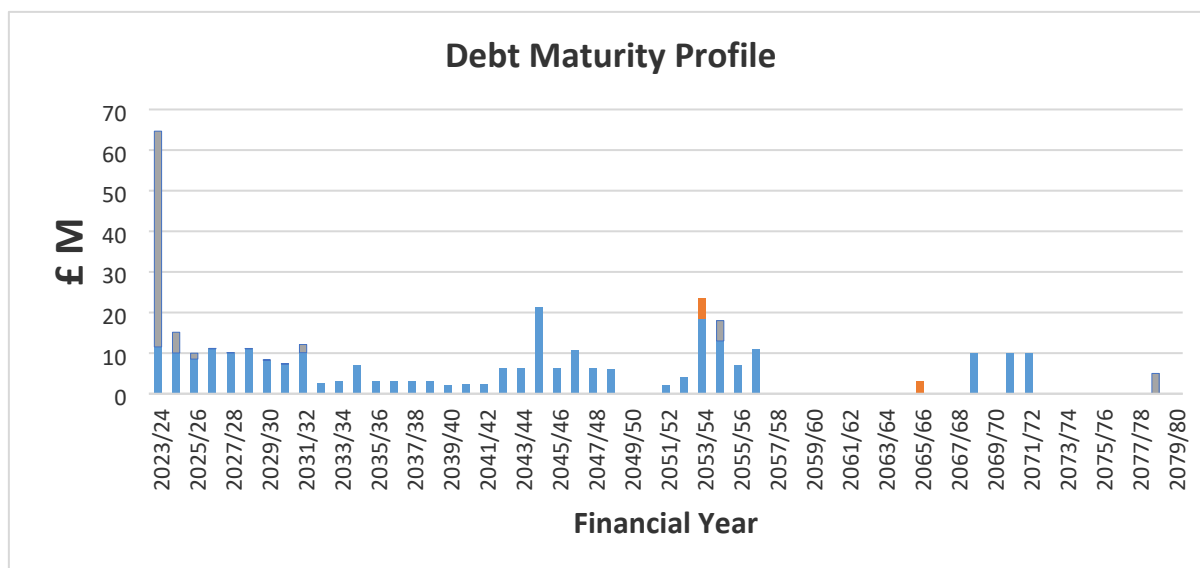
3.20 Effective management of the Authority's debt is essential to ensure that the impact of interest payable is minimised against our revenue accounts whilst maintaining prudent borrowing policies.

3.21 The chart below shows the changes in PWLB interest rates since the start of the April 2023. PWLB borrowing rates are based on the Gilts market. Rates have fluctuated since the last report but remain significantly higher than the 50 year target.



3.22 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.

3.23 Debt Maturity Profile



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

3.24 £3.50 million PWLB and £5.00 million borrowing from another local authority has been repaid during the last quarter. The remaining £17.40 million held for the Global Centre of Rail Excellence (GCRE) has also been repaid. With the uncertain economic position and 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.

3.25 A further £25.00 million borrowing from other local authorities is due to be repaid in the next quarter. To cover this, £20.00 million borrowing from other local authorities has been arranged with £5.00 million received in September and the remaining £15.00 million due to be received during October. Further short term borrowing may be required in Q3 to cover these repayments alongside the commitments in the capital programme.

3.26 With the changes to the MRP policy and the delayed requirement to borrow, the revenue budget set aside to cover these costs is projected to be underutilised in this financial year, however as demonstrated in the tables later in the report, these costs are likely to increase year on year.

3.27 PWLB Loans Rescheduling

3.28 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.

3.29 Financing Costs to Net Revenue Stream

3.30 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	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
From the approved CTMS 2023/24			
Financing Costs	13.66	14.49	14.65
Net Revenue Stream	326.54	338.53	348.39
%	4.2%	4.3%	4.2%
Quarter 1 estimates			
Financing Costs	12.71	14.48	14.30
Net Revenue Stream	326.54	338.53	348.39
%	3.9%	4.3%	4.1%
Quarter 2 estimates			
Financing Costs	12.19	13.88	13.46
Net Revenue Stream	326.54	338.53	348.39
%	3.7%	4.1%	3.9%

3.31 The table above shows the capital financing costs and the change between those disclosed in the 2023/24 Treasury Management and Capital Strategy. Markets suggest that the Bank of England interest rate is at or near its peak. It may rise if inflation remains stubborn. It is then expected that it will reduce over the next few years. There is significant risk that these costs may increase if rates increase faster or do not fall in line with the current forecast. The latest estimates assume that significant further borrowing will be required before the end of the financial year. The amount will depend on the cash position of the council and the interest rates available so this figure may change before the end of the financial year. There is sufficient budget to cover these costs in this financial year.

3.32 The change has been caused by the reduced borrowing requirement to support the capital programme in 2023/24 and future years. This has been the result of reprofiling of budgets into future years. This has allowed the council to defer the date that it expected to take out additional borrowing, reducing the current interest costs, however this borrowing will still be required in the future.

3.33 Prudential Indicators

3.34 All Treasury Management Prudential Indicators were complied with in the quarter ending 30th September 2023.

3.35 Economic Background and Forecasts

3.36 The forecast of interest rates by the Authority's advisor at the 25th September 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. The revised Medium Term Financial Strategy has been updated to take account of these changes.

Link Group Interest Rate View		25.09.23												
		Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE		5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.00	2.75	2.75	2.75	2.75	2.75
3 month ave earnings		5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.00	2.80	2.80	2.80	2.80	2.80
6 month ave earnings		5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.10	2.90	2.90	2.90	2.90	2.90
12 month ave earnings		5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.20	3.00	3.00	3.00	3.00	3.00
5 yr PWLB		5.10	5.00	4.90	4.70	4.40	4.20	4.00	3.90	3.70	3.70	3.60	3.60	3.50
10 yr PWLB		5.00	4.90	4.80	4.60	4.40	4.20	4.00	3.80	3.70	3.60	3.60	3.50	3.50
25 yr PWLB		5.40	5.20	5.10	4.90	4.70	4.40	4.30	4.10	4.00	3.90	3.80	3.80	3.80
50 yr PWLB		5.20	5.00	4.90	4.70	4.50	4.20	4.10	3.90	3.80	3.70	3.60	3.60	3.60

3.37 The economic background provided by our treasury advisers; Link Group at the 30th September 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.

3.38 Sundry Debt

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

3.40 The following table outlines the Council's outstanding sundry debt at the 2nd October 2023 of £14.92 million, down from £17.29 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	Trend Since Q1 2022/23
Adult Services ²	1,403,080	787,181	343,237	8,533,191	9,663,609	(2,119,506)	
Childrens Services	97,728	14,048	375	165,924	180,347	(18,752)	
Corporate, Legal & Democratic Services	7,063	0	0	5,353	5,353	(695)	
Economy & Digital Services	59,179	542	516	72,870	73,929	1,775	
Finance	125,883	130,708	113	918,734	1,049,555	179,880	
Highways, Transport & Recycling	454,767	145,510	171,087	921,012	1,237,609	137,580	
Housing	34,091	785	45,920	1,042,543	1,089,248	38,583	
Community Services	55,586	3,179	2,233	53,113	58,525	6,450	
Other	29,398	6,324	10,312	40,647	57,282	13,828	
Property, Planning & Public Protection	174,070	75,446	70,539	757,153	903,138	(554,256)	
Schools	3,108	22,857	4,969	515,771	543,597	(45,083)	
Workforce & Organisation Development	92,633	17,953	12,995	21,877	52,825	(16,047)	
Total	2,536,586	1,204,532	662,297	13,048,187	14,915,016	(2,376,242)	

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

3.41 The £2.54 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.

3.42 The total debt represents 23% of the annual generated income (excluding Council Tax and NNDR), if you exclude the current debt (less than 30 days old) this falls to 19% down from 23% last quarter.

3.43 There is a significant level of aged debt (over 30 days old) which has reduced by £2.38 million since the last quarter.

3.44 The table in 3.40 shows that around two thirds of the over three month debt is adult social care debt. This is more difficult to collect as Welsh Government will not allow bailiff action on residential care fees and court action only as a last resort. This debt relates to a high proportion of elderly and vulnerable customers, and often deferred charges are placed on their properties, which requires waiting for houses to be sold and estates to be realised which is often a lengthy process.

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

£'m	PtHB Debt	Non PtHB Debt	Total Debt	Deferred Charge Secured	Payments Received	Debt Written-off ³	Collection Rate
April	3.130	13.280	16.410	0.470	7.491	0.000	37%
May	7.350	12.490	19.840	0.404	3.383	0.000	45%
June	6.910	11.990	18.900	0.404	4.288	0.001	48%
July	4.380	13.680	18.060	0.463	5.225	0.018	59%
August	3.650	12.780	16.430	0.433	4.540	0.113	59%
September	5.000	13.940	18.940	0.560	4.892	0.100	70%

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

3.46 Council Tax and NNDR Collection

3.47 The in-year collection rates at the end of September 2023 (Quarter 2) for Council tax and NNDR are shown below.

Council Tax 53.90% (0.22% down compared to same point during 2022/23)
 NNDR 64.36% (3.84% up compared to same point during 2022/23)

3.48 £4.31 million of Council Tax and £1.02 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.

3.49 VAT

3.50 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.

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

3.52 Key Performance Indicators - The VAT KPI's for 2023/24 are attached at Appendix B.

4. Resource Implications

4.1 Not applicable.

5. Legal implications

5.1 Not applicable.

6. Climate Change & Nature Implications

6.1 Not applicable.

7. Data Protection

7.1 Not applicable.

8. Comment from local member(s)

8.1 Not applicable.

9. Impact Assessment

9.1 Not applicable.

10. Recommendation

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

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Appendix A – Update provided by Link Group on the 30th September 2023

Economics Update

- The first half of 2023/24 saw:
 - Interest rates rise by a further 100bps, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.
 - Short, medium and long-dated gilts remain elevated as inflation continually surprised to the upside.
 - A 0.5% m/m decline in real GDP in July, mainly due to more strikes.
 - CPI inflation falling from 8.7% in April to 6.7% in August, its lowest rate since February 2022, but still the highest in the G7.
 - Core CPI inflation declining to 6.2% in August from 7.1% in April and May, a then 31 years high.
 - A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the 3myy growth of average earnings rose to 7.8% in August, excluding bonuses).
- The 0.5% m/m fall in GDP in July suggests that underlying growth has lost momentum since earlier in the year. Some of the weakness in July was due to there being almost twice as many working days lost to strikes in July (281,000) than in June (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.
- The fall in the composite Purchasing Managers Index from 48.6 in August to 46.8 in September left it at its lowest level since COVID-19 lockdowns reduced activity in January 2021. At face value, it is consistent with the 0.2% q/q rise in real GDP in the period April to June, being followed by a contraction of up to 1% in the second half of 2023.
- The 0.4% m/m rebound in retail sales volumes in August is not as good as it looks as it partly reflected a pickup in sales after the unusually wet weather in July. Sales volumes in August were 0.2% below their level in May, suggesting much of the resilience in retail activity in the first half of the year has faded.
- As the growing drag from higher interest rates intensifies over the next six months, we think the economy will continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government handouts have all supported household incomes over the past year. And with CPI inflation past its peak and expected to decline further, the economy has got through the cost-of-living crisis without recession. But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. Higher interest rates will soon bite harder too. We expect the Bank of England to keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.
- The tightness of the labour market continued to ease, with employment in the three months to July falling by 207,000. The further decline in the number of job vacancies from 1.017m in July to 0.989m in August suggests that the labour market has loosened a bit further since July. That is the first time it has fallen below 1m since July 2021. At 3.0% in July, and likely to have fallen to 2.9% in August, the job vacancy rate is getting

closer to 2.5%, which would be consistent with slower wage growth. Meanwhile, the 48,000 decline in the supply of workers in the three months to July offset some of the loosening in the tightness of the labour market. That was due to a 63,000 increase in inactivity in the three months to July as more people left the labour market due to long term sickness or to enter education. The supply of labour is still 0.3% below its pre-pandemic February 2020 level.

- But the cooling in labour market conditions still has not fed through to an easing in wage growth. While the monthly rate of earnings growth eased sharply from an upwardly revised +2.2% in June to -0.9% in July, a lot of that was due to the one-off bonus payments for NHS staff in June not being repeated in July. The headline 3myy rate rose from 8.4% (revised up from 8.2%) to 8.5%, which meant UK wage growth remains much faster than in the US and in the Euro-zone. Moreover, while the Bank of England's closely watched measure of regular private sector wage growth eased a touch in July, from 8.2% 3myy in June to 8.1% 3myy, it is still well above the Bank of England's prediction for it to fall to 6.9% in September.
- CPI inflation declined from 6.8% in July to 6.7% in August, the lowest rate since February 2022. The biggest positive surprise was the drop in core CPI inflation, which declined from 6.9% to 6.2%. That reverses all the rise since March and means the gap between the UK and elsewhere has shrunk (US core inflation is 4.4% and in the Euro-zone it is 5.3%). Core goods inflation fell from 5.9% to 5.2% and the further easing in core goods producer price inflation, from 2.2% in July to a 29-month low of 1.5% in August, suggests it will eventually fall close to zero. But the really positive development was the fall in services inflation from 7.4% to 6.8%. That also reverses most of the rise since March and takes it below the forecast of 7.2% the Bank of England published in early August.
- In its latest monetary policy meeting on 20 September, the Bank of England left interest rates unchanged at 5.25%. The weak August CPI inflation release, the recent loosening in the labour market and the downbeat activity surveys appear to have convinced the Bank of England that it has already raised rates far enough. The minutes show the decision was "finely balanced". Five MPC members (Bailey, Broadbent, Dhingra, Pill and Ramsden) voted for no change and the other four (Cunliffe, Greene, Haskel and Mann) voted for a 25bps hike.
- Like the US Fed, the Bank of England wants the markets to believe in the higher for longer narrative. The statement did not say that rates have peaked and once again said if there was evidence of more persistent inflation pressures "further tightening in policy would be required". Governor Bailey stated, "we'll be watching closely to see if further increases are needed". The Bank also retained the hawkish guidance that rates will stay "sufficiently restrictive for sufficiently long".
- This narrative makes sense as the Bank of England does not want the markets to decide that a peak in rates will be soon followed by rate cuts, which would loosen financial conditions and undermine its attempts to quash inflation. The language also gives the Bank of England the flexibility to respond to new developments. A rebound in services inflation, another surge in wage growth and/or a further leap in oil prices could conceivably force it to raise rates at the next meeting on 2nd November, or even pause in November and raise rates in December.
- The yield on 10-year Gilts fell from a peak of 4.74% on 17th August to 4.44% on 29th September, mainly on the back of investors revising down their interest rate expectations. But even after their recent pullback, the rise in Gilt yields has exceeded the rise in most other Developed Market government yields since the start of the year.

Looking forward, once inflation falls back, Gilt yields are set to reduce further. A (mild) recession over the next couple of quarters will support this outlook if it helps to loosen the labour market (higher unemployment/lower wage increases).

- The pound weakened from its cycle high of \$1.30 in the middle of July to \$1.21 in late September. In the first half of the year, the pound bounced back strongly from the Truss debacle last autumn. That rebound was in large part driven by the substantial shift up in UK interest rate expectations. However, over the past couple of months, interest rate expectations have dropped sharply as inflation started to come down, growth faltered, and the Bank of England called an end to its hiking cycle.
- The FTSE 100 has gained more than 2% since the end of August, from around 7,440 on 31st August to 7,608 on 29th September. The rebound has been primarily driven by higher energy prices which boosted the valuations of energy companies. The FTSE 100's relatively high concentration of energy companies helps to explain why UK equities outperformed both US and Euro-zone equities in September. Nonetheless, as recently as 21st April the FTSE 100 stood at 7,914.

Appendix B - VAT - Key Performance Indicators

Creditor Invoices

VAT return for	N° of high value Creditor invoices checked	N° of Creditor invoices highlighted as requiring "proper" document for VAT recovery	% of creditor invoices checked requiring "proper" document for VAT recovery
Apr-23	237	4	1.7%
May-23	247	1	0.4%
Jun-23	316	0	0.0%
Jul-23	262	5	1.9%
Aug-23	341	3	0.9%
Sep-23	305	6	2.0%

There has been a small increase due to housing maintenance service putting through payment vouchers instead of invoices. Whilst this practice is legitimate, accounting for VAT on these should not take place until the correct invoice is received.

Income Management Entries

VAT return for	N° of entries checked by formula per the ledger account code used	N° of entries needing follow up check (but not necessarily incorrect).	% of entries needing follow up check
Apr-23	789	0	0.0%
May-23	1,775	3	0.2%
Jun-23	1,116	3	0.3%
Jul-23	1,058	4	0.4%
Aug-23	1,063	0	0.0%
Sep-23	996	2	0.2%

Note. The sampling threshold amount for Income Management Entries will be increased in Q3 and beyond based on current performance.

Debtor Invoices

VAT return for	N° of Debtor invoices checked	N° of checked debtor invoices with incorrect VAT code used	% of debtor invoices with incorrect VAT code
Apr-23	117	0	0.0%
May-23	90	0	0.0%
Jun-23	95	0	0.0%
Jul-23	130	0	0.0%
Aug-23	102	0	0.0%
Sep-23	131	1	0.8%

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	N° of transactions for which paperwork requested for checking	Resolvable errors discovered	Value of VAT potentially claimable but recharged to budget due to non-response	N° 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-23	106	1	£304.15	13	12.3%	£109.29
May-23	98	2	£522.91	6	6.1%	£323.64
Jun-23	76	3	£253.95	9	11.8%	£714.08
Jul-23	123	6	£1,382.45	9	7.3%	£912.88
Aug-23	40	4	£1,036.15	0	0.0%	£0.00
Sep-23	119	11	£1,092.63	10	8.4%	£1,686.04

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 amount charged back to service areas is £69,126 to date. The breakdown of this is as follows:

Potentially correctable errors

Reason	£
Not a tax invoice	44,822
VAT registration not shown on invoice	1,062
No invoice uploaded to purchase card system	17,052
Invoice(s) do not match payment	482
Total	63,418

Other errors

Reason	£
Non-domestic VAT	632
No tax on invoice	1,101
Supply not to Powys County Council	3,423
Over-accounting for VAT	508
Internal payments	44
Total	5,708

A breakdown by service is shown below.

Service	Not A Tax Invoice	VAT Reg Not Shown On Invoice	No Invoice Uploaded To BSM	Invoices Do Not Match Payment	Foreign VAT	No Tax On Invoice	Supply Not To PCC	Over accounting For VAT	PCC Internal Payment	Discovered Recoverable VAT
Revenue										
Schools Delegated Budgets	2,666		7,402	291	71	1,039	19	645	44	
Schools Service	2,234		532		40	17		37		
Adults	2,004		8							
Childrens	7,300		3,626							
Commissioning			3							
Highways, Transport & Recycling	13,946		210	191						
Community Development	784		84							
Property, Planning & Public Protection	4,000		(44)			39				
Housing General Fund		1,062	1,995				3,404			
Housing Revenue Account	4,448		913							
Finance			11							
Corporate Activities	20		238					(174)		(1,044)
Workforce & Organisational Development			165							
Economy & Digital Services	450		1,116		504					
Transformation & Communications			217		17					
Legal And Democratic			18							
Capital										
Childrens	256		445							
Highways, Transport & Recycling	6,424		5							
Housing Revenue Account	290		109							
Total	44,822	1,062	17,052	482	632	1,101	3,423	508	44	(1,044)