

CYNGOR SIR POWYS COUNTY COUNCIL.

AUDIT COMMITTEE

30th July 2021

CABINET EXECUTIVE

21st September 2021

**REPORT AUTHOR: County Councillor Aled Davies
Portfolio Holder for Finance and Transport**

REPORT TITLE: Treasury Management Quarter 1 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 June 2021.

2. Background

- 2.1 The Treasury Management Strategy approved by Full Council on 25th February 2021 can be found here.

<https://powys.moderngov.co.uk/documents/s57662/Appendix%20F%20Capital%20Strategy%20and%20Treasury%20Management%20Strategy.pdf>

- 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.

2.4 With interest rates for investments remaining extremely low the use of cash reserves as opposed to borrowing is prudent and cost-effective.

3. Advice

3.1 Investments

3.2 Short-term money market investment rates continue to remain just above zero as the Bank Rate remains at 0.10%. Given this environment and the fact that increases in Bank Rate are unlikely to occur before the end of the current forecast horizon, investment returns are expected to remain low.

3.3 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.

3.4 The Welsh Government repayable funding the council received in March 2021 towards the Global Centre of Rail Excellence (GCRE) is currently being held in the Council's deposit account until it is required for the project. It is earning a minimal return (0.02%) which under the terms of the funding is ringfenced to be used for this scheme.

3.5 The Authority had no other investments on 30th June 2021.

3.6 Credit Rating Changes

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

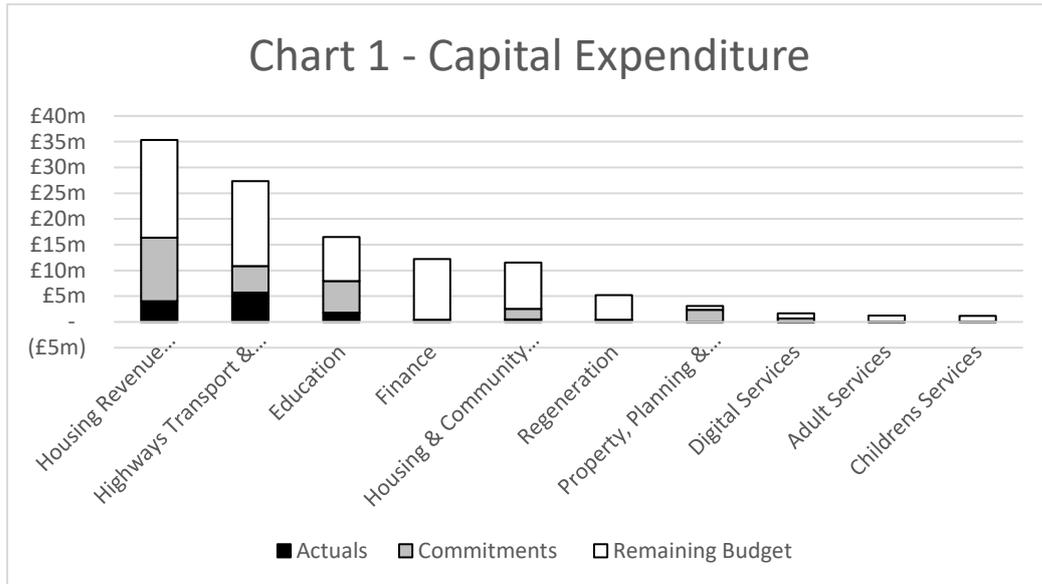
3.8 The Authority's Capital Position

3.9 The council approved the 2021 to 2031 Treasury Management and Capital Strategy on the 25th of February 2021. This included a Capital Programme for 2021/22 totalling £101.53 million.

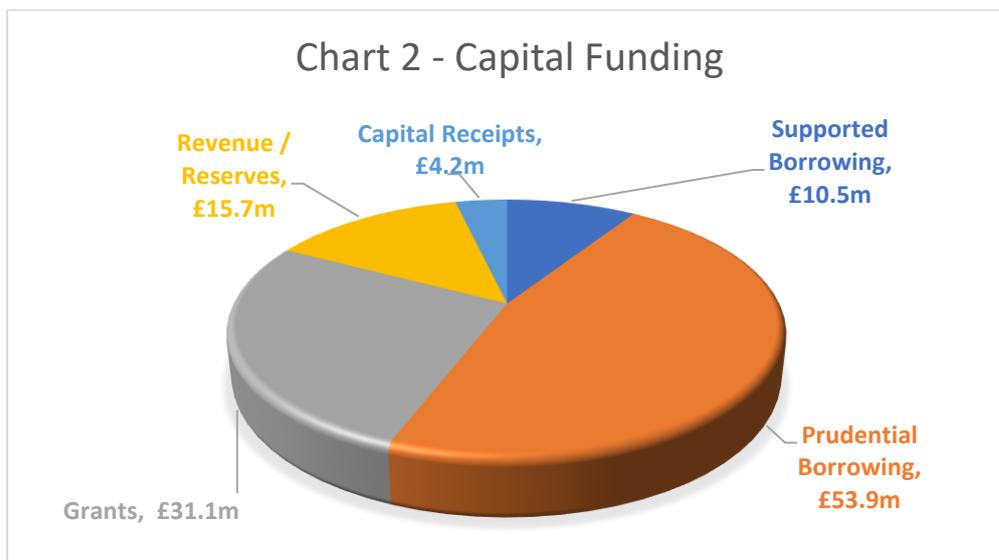
3.10 The revised programme at the 30th of June 2021 has increased to £115.30 million following the successfully awarding of grants and the reprofiling of budgets between financial years. As part of the Capital Review, services are being challenged on their profile of spend in year, it is likely this forecast will reduce.

3.11 Actual spend to date amounts to £12.49 million, representing 11% of the total budget.

3.12 Chart 1 below summarises the spend against budget for each service.



3.13 Chart 2 below sets out how the 2021/22 capital programme is funded, 44% will be funded through borrowing, the interest cost for this is charged to the revenue account.



3.14 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.

3.15 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the finance team 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.

- 3.16 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.

3.17 Capital Financing Requirement (CFR)

£'m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Original Estimates 25/02/2021	422.77	468.58	509.45	534.90
Updated 30/6/2021	397.10	436.96	460.03	480.61

- 3.18 The budget reprofiling into future financial years has reduced the CFR estimates as shown in the above table.

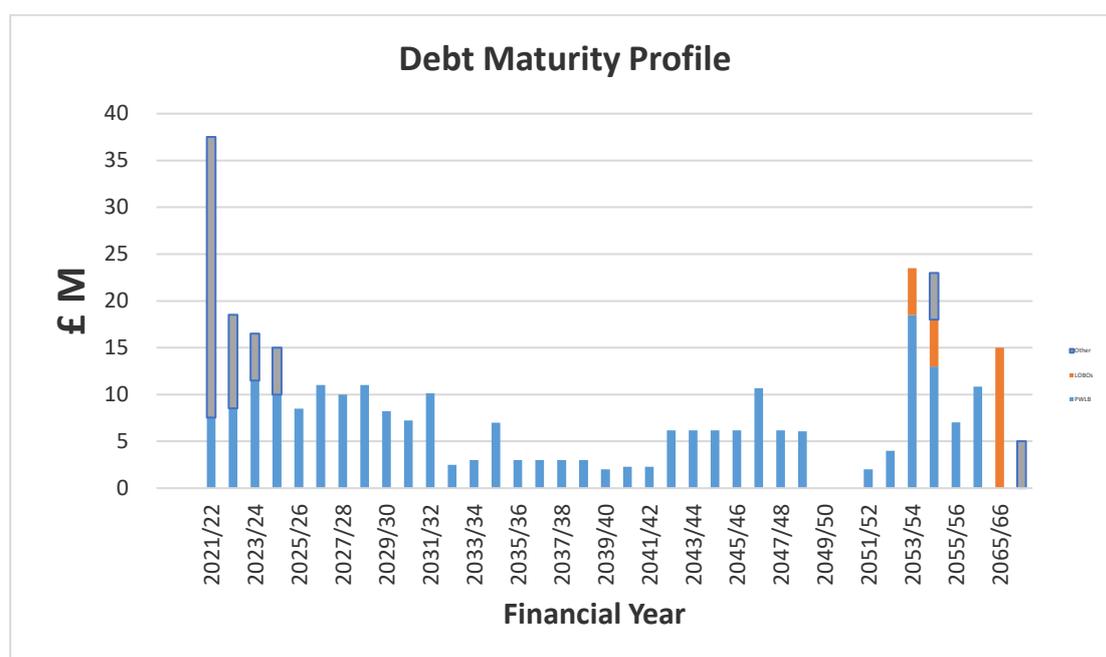
3.19 Borrowing / Re-scheduling

- 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 A prohibition is still in place 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. 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.

- 3.22 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.

3.23 Debt Maturity Profile as at 31st March 2021.



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

3.24 £20 million of debt has been repaid in the first quarter of 2021/22. With a further £17 million of debt maturing in this year, it is unlikely that there will be sufficient resources to absorb this repayment so new borrowing will be required along with additional borrowing to fund the ongoing capital programme.

3.25 PWLB Loans Rescheduling

3.26 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.

3.27 Financing Costs to Net Revenue Stream

3.28 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	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
From Treasury Management and Capital Strategy			
Financing Costs	13.59	16.55	17.61
Net Revenue Stream	280.66	281.26	282.17
%	4.84%	5.88%	6.24%
Quarter 1 estimates (before any over provision)			
Financing Costs	11.14	13.09	14.35
Net Revenue Stream	280.66	281.26	282.17
%	3.96%	4.65%	5.08%

3.29 The table above shows the change in the current estimates for the capital financing costs between those disclosed in the Treasury Management and Capital Strategy included as part of the 2021/22 Budget report and the updated estimates at the end of June 2021.

3.30 The decrease has been caused by two factors.

1. The updated Minimum Revenue Policy (MRP) approved by Council in March 2021 has realigned these costs more equally across the life of the assets involved.
2. The reduced borrowing requirement to support the capital programme in 2020/21 and future years. This has been the result of reprofiling of budgets into future years and funding from Welsh Government being made available earlier than anticipated. 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.

3.31 A principal was set in both the 2021/22 Budget and the MRP Policy Report that any benefits from the MRP change are ringfenced to support the Capital Programme to ensure the Council is beginning to address its increasing capital financing costs. As such, an overprovision of MRP will be made in line with any surplus in the revenue budget allocated to MRP to help reduce the increasing Capital Financing Requirement. Further work is being undertaken as part of the Capital Review to understand the implications of the Capital Programme and any further capital ambitions of the council.

3.32 Prudential Indicators

3.33 All Treasury Management Prudential Indicators were complied with in the quarter ending 30th June 2021.

3.34 Economic Background and Forecasts

3.35 The most recent forecast of interest rates by the Authority's advisor are shown below, an increase in the rates is expected over the next few years which will increase the costs of borrowing.

	Sep 21	Dec 21	Mar 22	Sep 22	Mar 23	Mar 24
Bank rate	0.10	0.10	0.10	0.10	0.10	0.25
5yr PWLB	1.20	1.30	1.30	1.40	1.40	1.50
10yr PWLB	1.70	1.70	1.80	1.90	1.90	2.00
25yr PWLB	2.20	2.30	2.40	2.40	2.50	2.60
50yr PWLB	2.00	2.10	2.20	2.20	2.30	2.40

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

3.37 VAT

3.38 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.

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

3.40 Key Performance Indicators - The VAT KPI's for 2021/22 are attached at Appendix B.

4. Resource Implications

4.1 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. It is recommended that this report be accepted.

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CABINET REPORT NEW TEMPLATE VERSION 3

Appendix A

Economic Background

UK. The 24 June Monetary Policy Committee meeting voted unanimously to keep Bank Rate unchanged at 0.10%. They voted by a majority of 8-1 to continue unchanged the existing programme of UK government bond purchases of £875bn which is due to end by the end of this year. In the press release, it was noted that: -

“Since May, developments in global GDP growth have been somewhat stronger than anticipated, particularly in advanced economies. Global price pressures have picked up further, reflecting strong demand for goods, rising commodity prices, supply-side constraints, and transportation bottlenecks, and these have started to become apparent in consumer price inflation in some advanced economies. Financial market measures of inflation expectations suggest that the near-term strength in inflation is expected to be transitory”.

The MPC noted the developing upside risks in the UK to both activity and inflation. It said that the news on activity “had predominately been to the upside” and that Bank staff had “revised up their expectations for 2021 Q2 GDP growth to 5½% from 4¼%”. For the first time, the policy statement noted that “there are increasing signs of recruitment difficulties for some businesses” and the minutes said, “it was possible that the near-term upward pressure on prices could prove somewhat larger than expected”. Indeed, by saying that inflation “is likely to exceed 3% for a temporary period” the MPC admitted the Governor will have to write to the Chancellor later this year explaining why inflation is more than 1% above the 2% target.

But the key point is that the MPC still appears willing to ride out the **inevitable spike in inflation** over the next six months as it thinks it will be short-lived and caused by one-off reopening price rises and supply shortages relative to demand - boosted by consumers having built up huge savings of around £145bn during lockdown. These spikes will drop out of the CPI calculation over the next twelve months. The forward guidance in the policy statement designed to demonstrate the MPC’s patience was left intact, and the emphasis remained on “the medium-term prospects for inflation” rather than factors that are “likely to be transient”. The minutes said the MPC should “ensure that the recovery was not undermined by a premature tightening in monetary conditions”. It also repeated that it will not raise Bank Rate until the 2% inflation target has been attained sustainably i.e., the mere fact that it is forecasting inflation to be over 2% during 2021 and 2022 is not in itself sufficient to justify an increase in Bank Rate in the near future. The MPC indicated in the minutes that some members would prefer to wait for a clearer picture of the underlying pace of the recovery once the furlough scheme expires at the end of September, before making any judgement on medium-term inflationary pressures. This implies that the MPC may be unlikely to be in a position to consider a change in policy until early in 2022 at the earliest.

In addition, the Bank is undertaking a review of its stated current policy to raise Bank Rate first before **unwinding quantitative easing** (QE) purchases of gilts. Indeed, it now appears to be likely that the Bank could unwind QE first before raising Bank Rate as it sees QE as a very useful quick acting weapon to use to combat any sudden dysfunction in financial markets, as happened in March 2020. However, it is currently nearly maxed out on the total level of QE. Unwinding QE first would cause short term gilt yields to remain anchored at low levels and medium and long term gilt yields to steepen. Money markets are currently expecting Bank Rate to start rising in mid-2022 but they are probably being too heavily influenced by looking across the Atlantic where inflationary pressures are much stronger than in the UK and building up further under a major boost from huge Federal government stimulus packages. Overall, there could be only a minimal increase in **Bank Rate** in 2023 or possibly no increases before 2024.

GDP. The Bank revised up its expectations for the level of UK GDP in 2021 Q2 by around 1½% since the May Report due to the easing of restrictions on economic activity; this now leaves total GDP in June only around 2½% below its pre-Covid 2019 Q4 level. UK GDP grew by 1.5% in the three months to April 2021: this was the first expansion since the three months to December 2020. Forward looking monthly business surveys are running at exceptionally high levels indicating that we are heading into a strong economic recovery. Capital Economics do not think that the UK economy will suffer major scarring from the lockdowns. The one month delay to the final easing of restrictions in July is unlikely to have much effect on the progress of recovery with GDP getting back to pre-Covid levels during August.

CPI. The annual inflation rate in the United Kingdom rose to 2.1% y/y in May from 1.5% y/y in April: this is the first time that the measure has been above the Bank of England's 2% target since July 2019.

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 in Q1 this 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 hard hit sectors like restaurants, travel, and hotels. The UK has made fast progress, giving both jabs to nearly half of the total population and one jab to two thirds, (84% of all adults). 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.

US. Since the Democrats won the elections in late 2020 and gained control of both Congress and the Senate, (although power is more limited in the latter), they have passed a \$1.9trn (8.8% of GDP) stimulus package in March 2021 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 now negotiating to pass a \$1trn 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 had been under-shooting the 2% target significantly for most of the last decade, so financial markets took note that higher levels of inflation are likely to be in the pipeline; long-term bond yields duly rose after that 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 by allowing inflation to run higher for longer, even if they do not call it a policy of average inflation targeting as such.

In the **Fed's June meeting**, it stuck to its line that it expects strong economic growth this year to have only a transitory impact on inflation which is being temporarily boosted by base effects, spikes in reopening inflation and supply shortages. The big surprise was the extent of the upward shift in the "dot plot" of interest rate projections: having previously expected no hikes until 2024 at the earliest, most officials now anticipate two in 2023, with 7 out of 18 expecting to raise rates next year. This was a first indication that there was rising concern about the risks around inflationary pressures building up on a more ongoing basis and is somewhat hard to reconcile to the words around inflation pressures being only transitory.

Treasury yields in the US ought to rise much more strongly than gilt yields in the UK due to the divergence in the levels of inflationary pressures and the levels of surplus capacity currently in both economies, (the US is much nearer full capacity than the UK). Bond investor sentiment could lean in the direction that even if central banks refrain from raising central rates in the short term, all they are doing is setting up sharper increases further down the line. This is likely to cause increases in longer-term bond yields without any actual increases in central rates. There will then be a question as to how strong an influence rising treasury yields will have on gilt yields. Due to the divergence between the US and UK economies, it is expected that the Fed rate will need to increase first before Bank Rate and that there could be a significant delay before the Bank of England follows suit.

EU. Both the roll out and take up of vaccines was disappointingly slow in the EU in the first few months of 2021 but has since been rapidly catching up. This delay will inevitably put back economic recovery after the economy had staged

a rapid rebound from the first lockdowns in Q3 of 2020 but contracted slightly in Q4 to end 2020 only 4.9% below its pre-pandemic level. After contracting by another 0.3% in Q1 of 2021, recovery will now be delayed until Q3 of 2021. At its June meeting, the ECB forecast strong economic recovery with growth of 4.6% and 4.7% in 2021 and 2022 respectively.

Inflation is likely to rise sharply to around 2.5% 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 maintains 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. Meetings in April and June confirmed these policies so monetary policy will remain highly accommodative with no sign yet of tapering of asset purchases.

China. After a concerted effort to get on top of the virus outbreak in Q1 of 2020, economic recovery was strong in the rest of 2020; this enabled China to recover all the contraction in Q1 2021. 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 2020/21, growth is likely to be tepid in 2021/22.

Japan. A third round of fiscal stimulus in December 2020 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 resurgence of Covid in Q1 2021, coupled with a slow roll out of vaccines, has pushed back economic recovery. However, quickening of vaccinations in the second half of 2021 will lead to a strong economic recovery to get back to pre-virus levels by the end of 2021 – around the same time as the US and sooner than the Eurozone.

World growth. World growth was in recession in 2020 but should recover during 2021. Inflation is unlikely to be a significant problem in most countries for some years due to the creation of excess production capacity and depressed demand during 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

concerned that the two packages, on top of the Fed already stimulating the economy by cutting the Fed rate to near zero and unleashing massive QE, could cause an excess of demand in the economy which **unleashes strong inflationary pressures**; these could then 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 because 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 which caused considerable consternation in western countries. 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 from rates in prior decades.

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. The Fed has changed its policy on inflation to targeting an average level of inflation. Greater emphasis will 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 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-21	205	0	0.00%
May-21	209	1	0.48%
Jun-21	286	1	0.35%
Jul-21			
Aug-21			
Sep-21			
Oct-21			
Nov-21			
Dec-21			
Jan-22			
Feb-22			
Mar-22			

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-21	697	0	0.00%
May-21	847	2	0.24%
Jun-21	972	4	0.41%
Jul-21			
Aug-21			
Sep-21			
Oct-21			
Nov-21			
Dec-21			
Jan-22			
Feb-22			
Mar-22			

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-21	88	0	0.00%
May-21	82	0	0.00%
Jun-21	86	0	0.00%
Jul-21			
Aug-21			
Sep-21			
Oct-21			
Nov-21			
Dec-21			
Jan-22			
Feb-22			
Mar-22			

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-21	193	15	£2,000.55	14	7.25%	£555.26
May-21	144	5	£1,165.80	16	11.11%	£849.52
Jun-21	153	5	£1,083.04	28	18.30%	£726.18
Jul-21						
Aug-21						
Sep-21						
Oct-21						
Nov-21						
Dec-21						
Jan-22						
Feb-22						
Mar-22						

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 2021/22 to end of June is £33,947.74. The breakdown of this is as follows:

Potentially correctable errors

Reason	Amount £
Not a tax invoice	731.31
Powys County Council is not the named customer	0
No invoice uploaded to purchase card system	25,790.64
Invoice(s) do not match payment	3,518.08
No evidence to back recovery	0
Total	30,040.03

Other errors

Reason	Amount £
Non-domestic VAT	7.24
No tax on invoice	982.96
Supply not to Powys County Council	1,767.06
Over-accounting for VAT	1,132.61
Internal payments	17.84
Total	3,907.71