CYNGOR SIR *POWYS* COUNTY COUNCIL.

CABINET EXECUTIVE
19th March 2024

REPORT AUTHOR:	**County Councillor David Thomas** **Portfolio Holder for Finance and Corporate Transformation**
REPORT TITLE:	**Treasury Management Quarter 3 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 December 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 stabilised as Bank Rate remained unchanged in the last quarter. Due to the uncertainty around the short term cash requirements, we have continued to hold the majority of surplus funds in the council's deposit accounts. These funds have earned interest totalling £0.90 million since the start of the 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, £15.00 million of inter-authority lending was arranged during quarter 3 with £5.00 million still invested at the end of the quarter.

3.6 The Authority had no other investments on 31st December 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 31st December 2023 is budgeted at £80.45million following the successful award of additional grants and the reprofiling of budgets between financial years. Actual spend amounts to £38.47 million, representing 48% of the total budget. An increase of £15.62 million since that reported at Quarter 2.

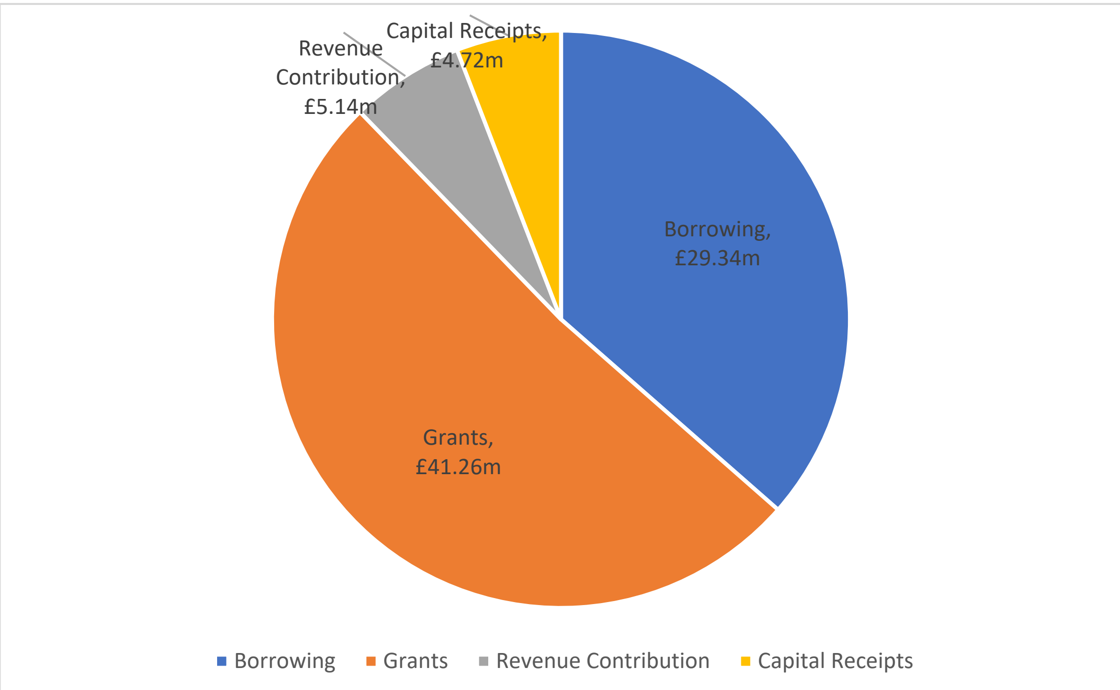
3.11 Inflation continues to have a severe impact on the cost of schemes due to rising material and construction costs. It is unclear at this stage how this will impact the programme over the coming years. Services are aware of the impact and are mitigating these increases as far as possible but is likely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

3.12 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	677	877	181	696	79%	570
Childrens Services	0	379	379	333	46	12%	350
Education	33,005	(5,169)	27,836	12,817	15,019	54%	20,227
Highways Transport & Recycling	12,681	7,190	19,871	10,619	9,252	47%	14,676
Property, Planning & Public Protection	100	1,004	1,104	456	648	59%	537
Community Development	922	608	1,530	430	1,100	72%	727
Housing General Fund	1,748	1,279	3,027	1,477	1,550	51%	2,229
Economy & Digital Services	16,196	(10,492)	5,704	2,183	3,521	62%	10,814
Unallocated	4,953	(4,953)	0	0	0		75
Total Capital	**69,805**	**(9,477)**	**60,328**	**28,496**	**31,832**	**53%**	**50,205**
Housing Revenue Account	23,482	(3,357)	20,125	9,969	10,156	50%	14,412
TOTAL	**93,287**	**(12,834)**	**80,453**	**38,465**	**41,988**	**52%**	**64,617**

3.13 Currently 36%, £29.34 million, of the capital expenditure is budgeted to be financed by borrowing, the interest cost for this is charged to the revenue account.

3.14 Chart 1 – Capital Programme funding



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.

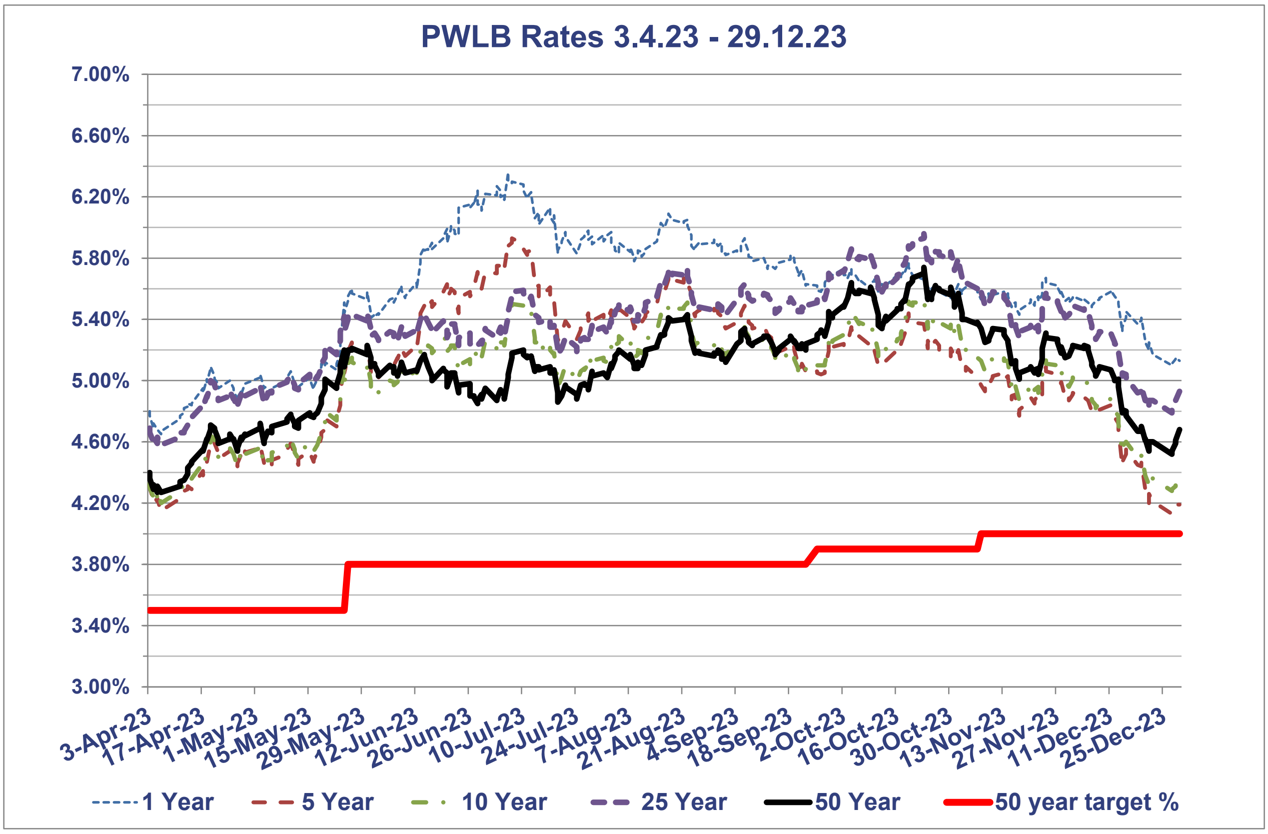
£'m	Total	HRA	Council Fund
Opening Balance – 1st April 2023			
Original Estimates[1]	**439.71**	108.50	331.21
Actual Balance	**422.21**	104.31	317.90
Closing Balance – 31st March 2024			
Original Estimates[1]	**466.79**	119.45	347.34
Quarter 1 Estimate	**465.53**	120.76	344.77
Quarter 2 Estimate	**457.93**	114.41	343.52
Quarter 3 Estimate	**446.67**	111.76	334.91
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
Quarter 3 Estimate	**489.13**	135.47	353.66
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
Quarter 3 Estimate	**522.53**	162.82	359.71

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

3.19 Borrowing / Re-scheduling

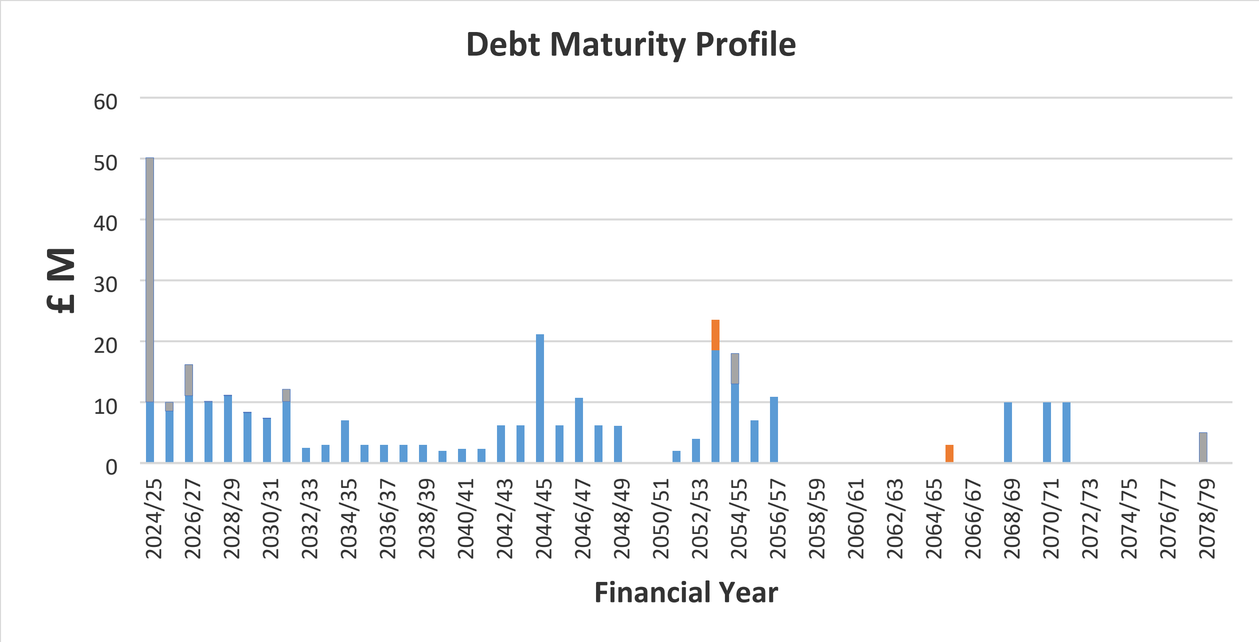
3.20 Effective management of the Authority's debt is essential to ensure that the impact of interest payable is minimised against our revenue accounts whilst maintaining prudent borrowing policies.

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 fallen since the last report and are moving towards 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 £20.00 million borrowing from other local authorities has been repaid during the last quarter. 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 £5.00 million borrowing is due to be repaid in the next quarter. To cover this, £30.00 million borrowing from other local authorities has been arranged. It is not expected that any further short term borrowing will be required in Q4.

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%*
Quarter 3 estimates			
Financing Costs	12.13	12.90	13.39
Net Revenue Stream	326.54	340.73	341.68
%	3.7%	3.8%	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 no fall in line with the current forecast. The latest estimates assume that minimal 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 31st December 2023.

3.35 Economic Background and Forecasts

3.36 The forecast of interest rates by the Authority's advisor at the 8th January 2024 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 08.01.24													
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

3.37 The economic background provided by our treasury advisers; Link Group at the 31st December 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 5th January 2024 of £11.59 million, down from £14.92 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]	**969,072**	536,625	286,100	6,491,398	**7,314,122**	(2,349,487)	
Childrens Services	**126,412**	225	0	222,082	**222,307**	41,960	
Corporate, Legal & Democratic Services	**0**	0	0	18,351	**18,351**	12,999	
Economy & Digital Services	**50,113**	311	334	75,737	**76,382**	2,453	
Finance	**86,473**	9,987	2,412	792,994	**805,393**	(244,162)	
Highways, Transport & Recycling	**646,181**	195,493	64,112	792,784	**1,052,390**	(185,219)	
Housing	**6,367**	44,915	0	719,647	**764,562**	(324,685)	
Community Services	**10,226**	6,043	6,968	107,265	**120,276**	61,750	
Other	**10,825**	4,429	1,910	39,506	**45,845**	(11,437)	
Property, Planning & Public Protection	**292,055**	46,885	45,174	712,045	**804,104**	(99,034)	
Schools	**14,082**	7,310	2,324	312,933	**322,567**	(221,029)	
Workforce & Organisation Development	**155,940**	973	14,220	24,661	**39,853**	(12,972)	
Total	**2,367,744**	**853,195**	**423,554**	**10,309,405**	**11,586,153**	**(3,328,863)**	

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

3.41 The £2.37 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 18% of the annual generated income (excluding Council Tax and NNDR), if you exclude the current debt (less than 30 days old) this falls to 15% down from 19% last quarter.

3.43 The level of aged debt (over 30 days old) has reduced by £3.33 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%
October	5.340	14.490	19.830	0.559	3.896	0.000	69%
November	1.190	12.740	13.930	0.660	8.367	0.052	76%
December	2.220	12.960	15.180	0.660	3.414	0.008	78%

[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 December 2023 (Quarter 3) for Council tax and NNDR are shown below.

Council Tax 80.45% (0.30% down compared to same point during 2022/23)
NNDR 86.04% (3.04% up compared to same point during 2022/23)

3.48 £3.68 million of Council Tax and £0.64 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 31st December 2023

Economics Update

- The third quarter of 2023/24 saw:
  - A 0.3% m/m decline in real GDP in October, potentially partly due to unseasonably wet weather, but also due to the ongoing drag from higher interest rates. Growth for the second quarter, ending 30th September, was revised downwards to -0.1% and growth on an annual basis was also revised downwards, to 0.3%;
  - A sharp fall in wage growth, with the headline 3myy rate declining from 8.0% in September to 7.2% in October, although the ONS "experimental" rate of unemployment has remained low at 4.2%;
  - CPI inflation continuing on its downward trajectory, from 8.7% in April to 4.6% in October, then again to 3.9% in November;
  - Core CPI inflation decreasing from April and May's 31 years' high of 7.1% to 5.1% in November, the lowest rate since January 2022;
  - The Bank of England holding rates at 5.25% in November and December;
  - A steady fall in 10-year gilt yields as investors revised their interest rate expectations lower.
- The revision of GDP data in Q2 to a 0.1% q/q fall may mean the mildest of mild recessions has begun. Indeed, real GDP in October fell 0.3% m/m which does suggest that the economy may stagnate again in Q3. The weakness in October may partly be due to the unseasonably wet weather. That said, as the weakness was broad based it may also be the case that the ongoing drag from higher interest rates is more than offsetting any boost from the rise in real wages.
- However, the rise in the flash composite activity Purchasing Managers Index, from 50.7 in November to 51.7 in December, did increase the chances of the economy avoiding a contraction in Q3. The improvement was entirely driven by the increase in the services activity balance from 50.9 to 52.7. (Scores above 50 point to expansion in the economy, although only tepid in this instance.) The press release noted that this was primarily driven by a revival in consumer demand in the technological and financial services sectors. This chimes with the further improvement in the GfK measure of consumer confidence in December, from -24 to -22. The services PMI is now consistent with non-retail services output growing by 0.5% q/q in Q3, but this is in stark contrast to the manufacturing sector where the output balance slumped from 49.2 to 45.9 and, at face value, the output balance is consistent with a 1.5% q/q fall in manufacturing output in Q3.
- The 0.3% m/m fall in retail sales volumes in October means that after contracting by 1.0% q/q (which was downwardly revised from -0.8% q/q) in Q2, retail activity remained weak at the start of Q3. That suggests higher interest rates are taking a bigger toll on real consumer spending.
- Higher interest rates have filtered through the financial channels and weakened the housing market but, overall, it remains surprisingly resilient with only marginal falls showing year on year on the Halifax (-1%) and Nationwide (-1.8%) indices. However, the full weakness in real consumer spending and real business

investment has yet to come as currently it is estimated that around two thirds to a half of the impact of higher interest rates on household interest payments has yet to be felt.

- Overall, we expect real GDP growth to remain subdued throughout 2024 as the drag from higher interest rates is protracted but a fading of the cost-of-living crisis and interest rate cuts in the second half of 2024 will support a recovery in GDP growth in 2025.
- The labour market remains tight by historical standards, but the sharp fall in wage growth seen in October will reinforce the growing belief in markets that interest rates will be cut mid-2024. Wage growth eased in October much faster than the consensus expected. Total earnings fell by 1.6% m/m, which meant the headline 3myy rate eased from 8.0% in September to 7.2% in October. This news will be welcomed by the Bank of England. Indeed, the timelier three-month annualised rate of average earnings growth fell from +2.4% to -1.2%. Excluding bonuses, it fell from 5.3% to 2.0%. Furthermore, one of the Bank's key barometers of inflation persistence, regular private sector pay growth, dropped from 7.9% 3myy to 7.3%, which leaves it comfortably on track to fall to 7.2% by December, as predicted by the Bank in November.
- The fall in wage growth occurred despite labour demand being stronger in October than expected. The three-month change in employment eased only a touch from +52,000 in September to +50,000 in October. But resilient labour demand was offset by a further 63,000 rise in the supply of workers in the three months to October. That meant labour supply exceeded its pre-pandemic level for the first time, and the unemployment rate remained at 4.2% in October. In the three months to November, the number of job vacancies fell for the 17th month in a row, from around 959,000 in October to around 949,000. That has reduced the vacancy to unemployment ratio as demand for labour eases relative to supply, which may support a further easing in wage growth in the coming months.
- CPI inflation fell from 6.7% in September to 4.6% in October, and then again to 3.9% in November. Both these falls were bigger than expected and there are clear signs of easing in domestic inflationary pressures. The fall in core CPI inflation from 5.7% to 5.1% in November was bigger than expected (consensus forecast 5.6%). That's the lowest rate since January 2022. Some of the decline in core inflation was due to the global influence of core goods inflation, which slowed from 4.3% to 3.3%. But some of it was due to services inflation falling from 6.6% to 6.3%. The Bank views the latter as a key barometer of the persistence of inflation and it came in further below the Bank's forecast of 6.9% in its November Monetary Policy Report. This will give the Bank more confidence that services inflation is now on a firmly downward path.
- The Bank of England sprung no surprises with its December monetary policy committee (MPC) meeting, leaving interest rates at 5.25% for the third time in a row and pushing back against the prospect of near-term interest rate cuts. The Bank continued to sound hawkish, with the MPC maintaining its tightening bias saying that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures". And it stuck to the familiar script, saying that policy will be "sufficiently restrictive for sufficiently long" and that "monetary policy is likely to need to be restrictive for an extended period of time".

In other words, the message is that the MPC is not yet willing to endorse investors' expectations that rates will be cut as soon as May 2024.

- Looking ahead, our colleagues at Capital Economics forecast that the recent downward trends in CPI and core inflation will stall over the next few months before starting to decline more decisively again in February. That explains why we think the Bank of England won't feel comfortable cutting interest rates until H2 2024.
- The fall in UK market interest rate expectations in December has driven most of the decline in 10-year gilt yields, which have fallen in line with 10-year US Treasury and euro-zone yields. 10-year gilt yields have fallen from 4.68% in October 2023 to around 3.70% at the time of writing, with further declines likely if the falling inflation story is maintained.
- Investors' growing expectations that the Fed will cut interest rates soon has led to an improvement in risk sentiment, which has boosted the pound and other risky assets. In addition, the rise in the pound, from \$1.21 in November to \$1.27 now, has also been supported by the recent relative decline in UK wholesale gas prices.
- The further fall in 10-year real gilt yields in December has supported the recent rise in the FTSE 100. That said, the index remains 5% below its record high in February. This modest rise in equities appears to have been mostly driven by strong performances in the industrials and rate-sensitive technology sectors. But UK equities have continued to underperform US and euro-zone equities. The FTSE 100 has risen by 2.2% in December, while the S&P 500 has risen by 3.8%. This is partly due to lower energy prices, which have been a relatively bigger drag on the FTSE 100, due to the index's high concentration of energy companies.

MPC meetings 2nd November and 14th December 2023

- On 2nd November, the Bank of England's Monetary Policy Committee (MPC) voted to keep Bank Rate on hold at 5.25%, and on 14th December reiterated that view. Both increases reflected a split vote, the latter by 6 votes to 3, with the minority grouping voting for an increase of 0.25% as concerns about "sticky" inflation remained in place.
- Nonetheless, with UK CPI inflation now at 3.9%, and core inflating beginning to moderate (5.1%), markets are voicing a view that rate cuts should begin in Q1 2024/25, some way ahead of the indications from MPC members. Of course, the data will be the ultimate determinant, so upcoming publications of employment, wages and inflation numbers will be of particular importance, and on-going volatility in Bank Rate expectations and the gilt yield curve can be expected.
- In addition, what happens outside of the UK is also critical to movement in gilt yields. The US FOMC has kept short-term rates in the range of 5.25%-5.50%, whilst the ECB has moved its Deposit rate to a probable peak of 4%. Markets currently expect both central banks to start cutting rates in 2024.

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-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%
Oct-23	360	2	0.6%
Nov-23	337	1	0.3%
Dec-23	261	0	0.0%

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-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%
Oct-23	379	0	0.0%
Nov-23	400	0	0.0%
Dec-23	292	1	0.3%

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	Nº of Debtor invoices checked	Nº 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%
Oct-23	134	0	0.0%
Nov-23	113	0	0.0%
Dec-23	93	0	0.0%

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-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
Oct-23	106	13	£686.51	8	7.5%	£117.22
Nov-23	101	2	£185.41	3	3.0%	£86.84
Dec-23	105	3	£415.25	10	9.5%	£215.59

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	Amount £
Not a tax invoice	32,796
VAT registration not shown on invoice	1,062
No invoice uploaded to purchase card system	23,087
Invoice(s) do not match payment	1,152
Unreadable Evidence	39
Total	**58,136**

Other errors

Reason	Amount £
Non-domestic VAT	700
No tax on invoice	1,246
Supply not to Powys County Council	5,963
Over-accounting for VAT	645
Internal payments	101
Total	**8,654**

A breakdown by service is shown below.

Service	Not a tax invoice	VAT reg not shown on invoice	No invoice uploaded to BSM	Invoice(s) do not match payment	Unreadable evidence	Foreign VAT	No tax on invoice	Supply not to PCC	Over-accounting for VAT	PCC internal payment	Discovered recoverable VAT	Under-accounting for VAT
Revenue												
Schools Delegated Budgets	3,339		9,466	506		73	1,157	19	744	101		
Schools Service	2,409		729			40	44		37			
Adults	2,004		27									
Childrens	6,644		3,272	7	39		6		51			
Commissioning			3									
Highways, Transport & Recycling	556		400	191								
Community Development	784		224			66						
Property, Planning & Public Protection	4,000		-44	247			39					
Housing General Fund	276	1,062	3,463					5,944				
Housing Revenue Account	4,448		1,696	201								
Finance			89									
Corporate Activities	20		241						-188		-1,044	-394
Workforce & Organisational Development	240		294									
Economy & Digital Services	450		1,351			504						
Transformation & Communications			625			17						
Legal And Democratic			18									
Capital												
Childrens	913		1,115									
Highways, Transport & Recycling	6,424		10									
Housing Revenue Account	290		109									
Total	**32,796**	**1,062**	**23,087**	**1,152**	**39**	**700**	**1,246**	**5,963**	**645**	**101**	**-1,044**	**-394**