BARLING MAGNA PARISH COUNCIL

Report to: Finance Committee

Report from: Clerk

Date: 26 November 2019

**BANKING, PAYMENT AND CARD MATTERS**

1. Background
   1. Paragraph 5.1 of the Council’s Financial Regulations states that the banking arrangements should be reviewed regularly for safety and efficiency.
   2. All bank accounts require two authorised signatories to sign cheques or instructions, following approval of expenditure at Council meetings.
   3. At the beginning of 2017, the Council had the following bank accounts:

* 2 accounts with Santander
* 1 Community Direct Plus account with Co-operative Bank
* 1 Business Select Instant Access account (interest-bearing) with Co-operative Bank
* 1 Community Account with HSBC

The two Santander accounts were closed in May 2017.

* 1. The HSBC account has been the principal account into which lettings fees have been received and from which utility charges for the hall have previously been paid. The Council has instructed me to work towards the closure of the Council’s HSBC account as soon as it is prudent to do so. HSBC has proved an irritating and officious bank. I currently estimate we can close this account at the end of November.
  2. The Barling Magna Parish Hall Committee (registered charity) also has a Community Account with HSBC, confusingly with the same account name. The bank has made significant errors in confusing the two accounts previously, for which we received compensation.

1. Current position
   1. All currently serving councillors are authorised signatories on both the Co-op Bank accounts. All former signatories have been removed. The Clerk is now an approved “authorised user,” meaning that the bank is now permitted to talk to me on banking matters but without the authority to give instructions on specific payments. This has improved efficiency and relieved individual councillors of the burden of having to make routine applications, e.g. for a replacement paying-in book. The Clerk can also obtain up to date balances on the telephone.
   2. Lettings fees are now paid into the Co-op Community Direct Plus account, by bank transfer, cheques and cash. The remaining HSBC Direct Debit payments (WAVE water charges and E.on gas charges) should shortly transfer to the Co-op account. At that point, there will be no reason why the HSBC account should not be closed.
   3. Our deposits with the Co-op Bank are protected by the Financial Services Compensation Scheme. Since we have money in multiple accounts with the same bank, the compensation limit of £85,000 applies to the total amount we hold across all these accounts, not to each separate account. Therefore, at some point within the next 12 months, the Council is recommended to open an account with another high street clearing bank, as a safeguard. A deposit would be left in that account to ensure we could continue to operate without interruption should Co-op Bank encounter difficulties.
2. Payments for goods and services
   1. Payments are made on basis of a voucher (preferably an invoice from the supplier), following the requirements of the Council’s Financial Regulations. These are inspected and authorised by councillors at Council meetings.
   2. Restricting suppliers just to those willing to offer up to 30 days’ interest-free credit / payment upon invoice may not yield the best value. Savings or better quality may be available from suppliers who require payment upon order, for example by debit or credit card.
   3. Consumables and approved purchases of smaller items of equipment are, of necessity, often paid for by the Clerk using a personal debit or credit card; payments being subsequently scrutinised and reimbursed at the next Council meeting. This is an unsatisfactory situation. It is plainly undesirable that the Clerk should in effect be offering credit to the Council for its purchases, as well as being contrary to the spirit of the Financial Regulations (see paragraph 6.20 of Financial Regulations). In the period 1 April to 14 November 2019, the total of these payments reclaimed by the Clerk was £991.78 (an average of £124 per month).
   4. Co-op Bank has a Business Charge Card service, offering:

* An interest-free period of up to 48 days, as long as the full outstanding balance is paid monthly by direct debit. We would incur charges if the full balance were not paid by the due date.
* We would receive monthly statements for all activity using the card.
* The Card can be used to make payments and can also withdraw cash – a matter that would need to be regulated.
* There is a nominal monthly fee of £2 per card.

Our Financial Regulations permit the issuing of such a card (paragraphs 6.18, 6.19 and 6.20) which should only be issued to the Clerk and for approved purchases, to a single maximum transaction value of £500. Wherever possible, it should not be used as a substitute for payment by invoice.

* 1. If the Council decided to apply for a card on this basis, the monthly statements of payments would form part of the regular financial reporting to Council. Failure by the cardholder to comply with the Council’s regulations in respect of use or misuse the card would be a disciplinary matter, potentially leading to dismissal and/or criminal charges.

1. SquareTM payments
   1. At present lettings charges and deposits are taken by cheque or cash or (preferably) by bank transfer. Deposits are returned to hirers at the successful completion of their hire of the hall. The Hall Manager makes around 2 trips to the bank per month to deposit cash and cheques.
   2. Fewer and fewer people are using cash and cheques for payments, with a significant increase in the use of card payments. Rochford District Council has promoted the use of SquareTM card readers, used in conjunction with smartphones and broadband. Both payments and deposits may be taken by means of a simple device; deposits can be refunded by the same means. The device is used successfully by Rochford Parish Council for its hall lettings. Not only does it offer greater convenience to the public, it removes the need for a staff member to carry cash or to make trips to the bank. The device can facilitate contactless payments, as well as chip and PIN. An application would need to be downloaded onto the Hall Manager’s personal smartphone but she would not be able to read or access any third party financial data. Without a more advanced card reader, receipts would still have to be issued manually.
   3. After an initial grace period, charges borne by the Council would be 1.7% on transactions. This would be offset by savings on staff mileage and parking costs and lost time. The percentage charge is in line with other similar schemes and the Clerk does not believe this to be unreasonable.
   4. Council has previously said that it wished to explore and then adopt a system such as this. To do so, we would need to purchase the card reader at a cost of around £25 as well as authorise a Direct Debit on the Co-op Community Direct Plus account. Details of the scheme can be found at [www.squareup.com/gb/en](http://www.squareup.com/gb/en)
2. Internal auditor’s view

5.1 The Internal Auditor has seen the draft of this report and has stated “I am fully in agreement with your proposals.” (email received 22.10.19).

1. Proposed recommendations from the Committee to the Council

Council is recommended to:

* 1. Note the Council’s current banking arrangements, their safety and efficiency;
  2. Authorise the Chairman and Vice-Chairman to sign an instruction to close the HSBC account at the point where it has ceased to be in use;
  3. Authorise the transfer of the remaining HSBC Direct Debit payments (WAVE and E.on gas) to the Co-op Bank;
  4. Consider the implications and then resolve to apply for a Co-op Bank card, as described above;
  5. Consider and then resolve to adopt a trial of the SquareTM card payment scheme, including authorising the Direct Debit on the Co-op bank account and the cost of the reader.
  6. In due course, proceed to open an account with another clearing bank covered by the Financial Services Compensation Scheme.

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