

20230914: Agenda Item 12 - Payment Authorisation Internet Banking

Previous Arrangements:

The Clerk created the payments online, which were then authorised by 3 Councillors.

Current Process and how this has come about:

When a new Clerk started in post, a mandate was completed to add her as a Limited Access Signatory and a further form was completed to allow delegate internet access to manage the Council's bank accounts and make payments online, as part of the Responsible Financial Officer element of the role.

With Lloyds, when delegate authority is agreed for internet access to add payments, this automatically includes being one of the payment authorisers. If the organisation wishes to change this so that person can only create payments, one of the authorised signatories needs to amend this online after the individual has been set up by the Bank. The new Clerk has therefore been one of the three authorised signatories since being added to the system. This was not something the Clerk or Councillors were aware of until the Clerk started making payments.

The Council needs to now consider whether to retain this arrangement or revert to the previous arrangement, in which case an authorised signatory will be required to make the amendment online to alter the Clerk's profile to create payments only, and additional signatories added to the Lloyds accounts to ensure there is sufficient contingency for payments to be made in a timely manner.

Willand Parish Council Financial Regulations/Current processes:

- Payments are approved by a Council resolution at the monthly Council meeting.
- Following the resolution 3 Councillors, all authorised signatories, sign the list and each of the invoices to authorise the payments. This fulfils the requirement for 3 authorised signatories to approve payments as set out in the Financial Regulations and provides clear authorisation for the Clerk to make payment.
- If no meeting is being held or a payment is required before the next meeting, then payments may be made by the Clerk in consultation with the Chair and ratified at the next Council meeting. In practice the Clerk has been emailing all authorised signatories with information in advance so they can agree the payment(s) and raise any queries they have.
- There is no specific requirement for a set number of internet banking payment authorisers as long as it can be demonstrated that 3 Authorised Signatories have approved the payments to be made (as above).

Legislative Requirements:

The 2 signatories' rule was repealed by Parliament in 2014, so there is no legal requirement as to the number of signatories for payment authorisation. This was to allow greater flexibility and the use of modern methods of payment such as internet banking. Following repeal, it was left to the Sector to issue its own guidance. NALC and the SLCC recommend that payments should be authorised by at least 2 people, one of whom should be a Councillor.

Things to Consider:

- The Clerk, who is also the Responsible Financial Officer (RFO) is responsible for making payments in a timely manner. The RFO administers the Council's affairs in accordance with all Acts, Regulations and proper practice. The RFO is overall accountable for all the Council's financial records and the careful administration of its finances.

- Current Willand Parish Council procedures are in excess of those recommended by NALC & the SLCC. From Parish Clerk online forums and local discussion, it is evident that for most Parish Councils 2 authorisers is the norm.
- The Council should ensure that it is responsive to the needs of suppliers for prompt payment and that all payments are made in a timely fashion, to ensure suppliers have sufficient cashflow to run their business.
- NALC and the SLCC both recommend that Councillor authorised signatory responsibilities should be rotated to avoid placing a continual burden on the same Councillors. With only 5 authorised signatories overall, one of whom has not been accessing internet banking, this is impossible. The Council's ability to make payments could be compromised if authorised signatories are unavailable to authorise payments.
- If Council decides that all internet banking payments require 3 Councillors to authorise rather than the Clerk and 2 Councillors, sufficient contingency will be required in the form of additional signatories to ensure that the Council's ability to make payments is not compromised. In this case it is recommended that the Parish Council should add 2 further authorised signatories, who are comfortable with using internet banking, to allow a sufficient buffer, giving a total of 7 Authorised Signatories, of whom 3 would need to be available to authorise internet banking payments at any one time.
- This is purely about the mechanics of making payments online and does not impact on the requirement for Council to pass a resolution to approve the payments list at the monthly meeting, nor the requirement for 3 Authorised Signatories to authorise that payment be made, which is done by signing the payment list and each invoice. Any change to this would require an amendment to the Parish Council's Financial Regulations to be approved at Council.
- It should be noted that the process of adding signatories to the bank accounts usually takes some weeks as mandates and internet forms need completing and physically signing by the new signatories and 3 current Authorised Signatories before being sent by post, awaiting the Bank's confirmation that the changes have been made and receipt of documentation, cards and card readers to access the bank accounts online.

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Clerk & Responsible Financial Officer
29th August 2023