

## Item 16.7 - Charge card

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**Meeting:** 26 September 2024

**Motion:** To consider a business charge card for online purchases.

**Author:** Clerk to the Council

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### Background

In 2023, the internal auditor has recommended:

“The Council does not hold petty cash. However, the Council may like to consider the provision of a debit card or charge card on the bank account in the Clerk/ RFO’s name in order that items such as Office365, anti-virus software or items which can be purchased more cost effectively online can be bought in the Parish’s name without the need to resort to the Clerk or another Councillor having to use their personal accounts. With the appropriate safeguards and procedures this would be acceptable.”

In 2024, the internal auditor repeated this recommendation:

“I note that the Council did consider my recommendation of a debit card last year and understand that following deliberation the Council rejected it due to the costs involved in having a card on the Council’s bank account. However, other solutions, including a ‘pre-payment’ card are available. In order that the Clerk does not have to use her own card for purchases, I recommend that this alternative is explored.”

The council’s main reason for declining to take up the recommendation last year was that it was hard to justify costs when only one or two transactions per year required use of a card. Now, however, the council has several regular subscriptions that can only be paid by card, and online purchases are easier to access using a card, and so it is worth revisiting this topic.

### Legislative considerations

A parish council would normally require approval of the Secretary of State to borrow money unless it is a temporary loan or overdraft that will be repaid during the same accounting period (Local Government Act 2003, s2). This does not prohibit the use of credit cards.

In the past councils were discouraged from using credit cards because they are “difficult to control and present unnecessary risks to public funds.” I feel this view is outdated, now that credit cards can be managed online and paid off by direct debit monthly.

Debit cards present higher risks as the entire balance in the account could in theory be spent on a single authority (although it is unlikely all funds would be held in the current account); whereas credit, charge cards and pre-pay cards have defined spending limits.

The current version of the Practitioners Guide (which describes proper practices for local council accounting) states at 1.15.4 “If held, corporate credit card accounts need to have defined limits and be cleared monthly by direct debit from the main bank account.”

It further states at 4.21 “Where debit / credit cards are in use, establish the total monthly and individual transaction limits and ensure appropriate controls over physical security and usage of the cards are in place”.

The council’s Financial Regulations include appropriate clauses covering the use of cards.

## Options

Below are some products used by other Councils.

Option	Card Type	Costs	Comments
<a href="#">Unity Corporate MultiPay Card</a>	Charge card	£50 application fee £36 annual fee Late payment fee of 2% of £10 whichever is greater.	Provided by Lloyds for Unity, with online account management. A complex application process, with business application and user application.
<a href="#">Lloyds Visa debit card</a>	Debit card	No annual fee	Only available to Lloyds current account holders; the council would need to change banks.
<a href="#">Barclaycard Select charge card</a>	Charge card	£42 annual fee Up to 36 days to pay for purchases, 3.6%	Require personal guarantee from the card holder.
<a href="#">Barclaycard Select Cashback card</a>	Credit card	No annual fee, Interest free period of up to 56 days interest rate 27.5% 1% cashback	Requires personal guarantee from the card holder. Cheapest if used correctly, but highest rate of interest if not paid promptly.
<a href="#">Equals Money Card</a>	Pre-pay card	No annual fee for non-profits. £10 for physical card £10 to unload funds back to your account.	Business level account. Plan includes unlimited users managed by a primary user, so easier to add new users. Money is loaded onto the card in advance, so spending must be planned. Funds are held in a ringfenced account, they aren't covered by FSCS.

Cards are issued in individual names and must be destroyed when the employee leaves.

### Recommendation:

That the council approves an application for either the Barclaycard Select Cashback card or Equals Money card.

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