Review of Banking Arrangements and Proposal to Move from Lloyds Bank to a Sector-Specific Provider

1. Purpose of the Report

To outline the limitations of the Council's current banking arrangements with Lloyds Bank, assess the operational and governance risks arising from those limitations, and present sector-appropriate alternatives better aligned with parish council needs. The report concludes with a recommendation to consider switching to a specialist provider. The Council may resolve to change banking provider under its general administrative powers (s.111 Local Government Act 1972).

This review has been informed by sector guidance from the National Association of Local Councils (NALC), which highlights widespread challenges faced by parish and town councils in relation to banking, including slow mandate changes, limited sector understanding, and the impact of branch closures.

NALC's Banking Hub guidance makes clear that there is no one-size-fits-all solution. However, councils should ensure their banking arrangements are efficient, secure, and fit for the future. This review sets out the options available and assesses their suitability for the Council.

2. Background

Parish councils require banking services that support:

- Multiple signatories and dual authorisation
- Clear governance controls
- Straightforward mandate management
- Reliable digital access for clerks and councillors
- Sector-specific understanding of local authority requirements

Lloyds Bank provides standard commercial banking but does not specialise in local council governance. This has resulted in recurring administrative difficulties.

3. When did we last review our banking?'

NALC recommends that councils periodically review their banking arrangements, particularly following changes in clerk/RFO, turnover of councillors, or evolving financial needs. The Council has not undertaken a formal review for several years, and this report provides an updated assessment of whether our current provider continues to meet our operational and governance requirements.

4. Issues with the Current Provider (Lloyds Bank)

4.1 Mandate Management Difficulties

NALC identifies mandate changes as one of the most common pain points for councils. The Council has experienced similar difficulties with Lloyds, including delays, repeated requests for documentation, and inconsistent communication. Providers such as Unity Trust Bank offer more streamlined mandate management with sector-specific support.

- Changes to signatories, addresses, or access permissions are often slow and administratively complex.
- Inconsistent advice depending on branch or call-centre staff.

4.2 Limited Understanding of Parish Council Governance

- Lloyds operates primarily for commercial businesses and individuals; staff often lack familiarity with:
    - Local Government Act requirements
    - Dual-authorisation expectations
    - Councillor turnover and mandate updates
    - Clerk/councillor role distinctions
- This leads to confusion when setting up or amending access.

4.3 Operational Inefficiencies

- Difficulty ensuring correct permissions for clerk vs councillors.
- Slow resolution of errors or access issues.
- The ongoing closure of high-street branches has further reduced access to in-person support, making mandate changes and identity verification more difficult.

4.4 Risk Implications

- Delays in mandate updates create governance risk (e.g., former councillors still listed).
- Operational inefficiency increases workload for the Clerk.
- Potential reputational risk if payments are delayed.

5. Sector-Specific Alternatives

The following banks are widely used by parish and town councils and offer governance-friendly features.

5.1 Unity Trust Bank

Sector fit: Excellent – widely used by local councils.

Strengths:

- Designed for charities, councils, and social enterprises.
- Strong dual-authorisation and user-permission controls.
- Clear governance processes for adding/removing signatories.
- Ethical banking model.
- Good customer service with staff familiar with council structures.

Considerations:

- Monthly account fee (typically around £7).
- No branch network (online/telephone only).

5.2 The Co-operative Bank

Sector fit: Strong – long history with community organisations.

Strengths:

- Free banking for eligible community organisations.
- Ethical policy.
- Supports multiple signatories and dual authorisation.
- Better understanding of non-profit governance than mainstream banks.

Considerations:

- Some councils report slow onboarding.
- Branch network reduced in recent years.
- Not specifically tailored for Parish Councils.

NALC encourages councils to consider ethical and sustainability commitments when selecting a banking provider. Unity Trust Bank and the Co-operative Bank both operate ethical banking models aligned with wider community and environmental objectives.

6. Comparison Summary

Feature / Cost Area	Lloyds Bank	Unity Trust Bank	Co-operative Bank
Monthly account fee	£4.25/month (£51/year)	£7/month (£84/year)	Free
Debit card available?	Yes	Not currently (Unity has indicated plans to introduce)	Yes
Dual authorisation	Supported, but clunky	Strong, sector-specific	Supported (standard online banking)
Electronic payments in	Free	Free	Free
Electronic payments out	First 100 free, then £0.10 each	Free	Free
Cash paid in	£0.75 per £100 (branch/PO)	70p per £100	£1.50 per £100
Cash paid out	£0.75 per £100	70p per £100	£1.50 per £100
Cash exchanged	£1.25 per £100	70p per £100	£1.60 per £100
Mandate management	Slow, inconsistent	Very strong	Mixed but better than Lloyds
Sector understanding	Low	High	Low
Ethical commitments	Standard commercial model	Strong ethical banking policy	Ethical banking policy
Recurring payments (Norton etc.)	Yes – debit card	No (requires prepaid card)	Yes – debit card
Overall annual cost (typical council)	£51–£100	£100–£150	£0–£100

7. Bank Card Provision and Impact of Switching Providers

7.1 Current Lloyds Bank Card

The Council currently holds a Lloyds debit card, used for essential recurring payments such as Norton antivirus and other digital services. This arrangement is convenient and avoids the need for the Clerk to use a personal card. The card is linked directly to the Council's current account and allows automated subscription payments.

7.2 Impact of Moving to a Sector-Specific Bank

If the Council switches to Unity Trust Bank, it is important to note that it does not issue debit cards for council current accounts. This is a deliberate governance measure within the sector, as debit cards give a single individual unrestricted spending authority, which conflicts with:

- dual-authorisation requirements
- internal control expectations
- external audit guidance
- separation of duties between Clerk and councillors

7.3 Alternative Solution for Recurring Payments

To maintain the ability to process recurring payments (e.g., Norton subscription) without using personal cards, councils typically adopt a controlled pre-paid expense card. These cards are widely used by parish and town councils that bank with Unity.

A pre-paid card allows the Council to:

- Set a low monthly spending limit (e.g., £200)
- Restrict usage to specific categories (e.g., software subscriptions only)
- Require councillor approval for top-ups
- Maintain a full audit trail
- Avoid personal financial involvement by staff
- Prevent overdrafts or unauthorised spending
- This provides a governance-compliant replacement for the Lloyds debit card.

If the Council requires a card facility for recurring payments, Unity Trust Bank offers a Corporate Purchasing Card at £3 per month (£36/year). Unity's Corporate Purchasing Card is a charge card rather than a debit card, meaning the balance must be settled monthly. However, the Co-operative Bank provides a standard debit card at no additional cost, making it the most cost-effective option for councils requiring card-based payments.

7.4 Recommended Approach

If the Council proceeds with switching banks, it is recommended that:

1. The Council approves the use of a pre-paid card for recurring digital payments.
2. The card is held by the Clerk, with a clearly defined spending limit.
3. Top-ups are authorised by two councillors in line with Financial Regulations.
4. Monthly statements are reported to Council or Finance Committee.
5. This ensures continuity of essential services while maintaining strong financial controls.

8. Recommendation

Given the ongoing administrative difficulties with Lloyds and the need for banking arrangements that support parish-level governance, it is recommended that the Council agrees in principle to move from Lloyds Bank to a sector-specific provider, with Unity Trust Bank identified as the most suitable option based on governance, sector understanding, and operational reliability.

9. Decision Required

Members are asked to:

- Note the issues with Lloyds Bank.
- Consider the sector-specific alternatives presented.
- Resolve whether to recommend to full council to proceed with exploring a switch to Unity Trust Bank or the Co-operative Bank, and instruct the Clerk to begin the account opening process if approved.