

PROPERTY MANAGEMENT ACCOUNTS PROCEDURES

1.0 Property Management Accounts

1.1 Objective

The objective of the property Management Accounts team is to provide a service giving the highest levels of accurate, prompt and clear accounting and client reporting.

The service is provided in accordance with Property Management contracts or as specifically agreed with clients.

All accounting is carried out with due regard to best practice and in accordance with the RICS Clients Money Handling Regulations & the Service Charge Code of Practice.

Training and support will be given to staff in the procedures to be adopted.

1.2 Personnel

All Client Contracts are allocated a Client Account Manager (CAM). A list of key responsibilities is as follows:

- Production of rent demands and other regular charges. Apportionment and recharge of insurance and utility costs, where appropriate.
- Reconciliation of service charge accounts, in accordance with RICS Service Charge Code of Practice, including liaison with auditors and property managers, apportionment of costs and production of certificates and balancing charges.
- Production of regular client property reports in accordance with client specific instructions including financial statements, VAT accounting, service charge analysis and debtor analysis.
- Reconciliation of client specific bank accounts in accordance with RICS regulations.
- Diligent management of client funds and timely transfer of cleared monies.
- Management of tenant accounts and supervision of credit control
- Attend periodic client meetings as appropriate.

Each CAM is supported by a dedicated team. In the event of illness or holiday another CAM will take over duties of the absent CAM. The PM accounts team is instructed by the relevant Property Manager who is involved in the invoice authorisation process.

All members of staff, with delegated authority to transfer money out of client's accounts, are covered by professional indemnity insurance of up to £5m for each and every claim.

1.3 General Controls

- The accounting records are maintained on the double-entry basis.
- Accounting records are retained for at least six years.
- Accounting records entered up promptly and have an explanatory narrative giving a full understanding of the transaction.
- Where possible entries are made in chronological order.
- The current balance is always identifiable and available on demand.
- There is a control to ensure that all received cheques re banked.
- Computers systems are adequately protected for firewalls, back-ups and Disaster Recovery.
- All ledgers have the client's name and description of the matter.

1.4 Database systems

- Benchmark, Propman and Yardi are in use, these are flexible management databases with integrated accounting functions that allow complete control of client property, tenant and supplier information.
- Yardi is internet-based client accounting systems hosted by the client, Hornbeam is permitted limited access to certain functions. We have full control of our in-house Benchmark and Propman system.

1.5 Management of Income

- Payments can be accepted if they are in the name of lessee or an 'authorised' third party or alias. Authorised third parties are agreed by the Property manager and a standard acknowledgement letter sent to the tenant.
- Cash is not accepted. If a tenant offers cash, they should be given the relevant clients bank details and asked to make a direct bank deposit. NB Remind them to use a reference.
- All relevant information must be entered into the tenant's account.
- All income not identified within 3 days of receipt is dealt with under 1.5.8.

1.5.1. Banking of cheques

- Post is opened by a director and the remittance advice is date stamped. If no Directors are available, the procedure is undertaken by a member of the accounts administration team at a director's desk.
- All cheques are recorded and logged with a sequential number by a director.
- Cheques are passed to a member of the accounts team who must check that they are signed and dated, and the words and figures agree.
- All cheques are posted onto the relevant database system on the date of receipt.
- All client money will be banked within 3 working days or sooner.
- Cheques that are not banked on the date of receipt are kept overnight in the fire safe.
- A director or office manager will confirm that a cheque has been banked by reviewing the bank receipt slips and noting receipt on the cheque log.

1.5.2 Completing the paying-in slips

- All relevant areas of the paying in slip must be filled in clearly and the slip must be signed by a member of the accounts team.
- Paying in books must be returned to the appropriate filing cabinet after use.

1.5.3 Dealing with electronic income

- Bank statements are checked daily, and electronic income must be posted to the tenant account immediately as at the date of receipt in the bank.

1.5.4 Allocation of income

- Income must be allocated according to the remittance advice supplied by the tenant.
- If no remittance is provided care must be taken when allocating the income. If necessary, the tenant must be contacted to ascertain which invoices are being paid to ensure both parties ledgers match.

1.5.5 Dealing with income from a third party

- If a receipt is not easily identifiable all efforts must be made on the date of receipt to contact the payor and establish which tenancy the payment is being made for.
- If a payor differs from the name on the lease record, the acceptable payor information will be checked. If the third party is not set up on the database as an acceptable payor, authorisation to accept the payment must be obtained from the appropriate PM.
- Once authorisation has been given a letter accepting the third-party payment will be sent to the tenant by the accounts team.

1.5.6. Dealing with post-dated and queried cheques

- Post-dated cheques must be entered onto the cheque receipt log and identified as post-dated and filed within the post-dated cheque file.
- The post-dated cheque file is checked daily to ensure that cheques are banked as and when they become due.

1.5.7 Tenants in common

- Separate clients may have tenants in common and therefore one remittance for the combined arrears of several tenancies across a number of clients may be received.
- All tenants involved must be clearly identified and all amounts involved must equal the remittance in its entirety.
- All tenants in common cheques will be banked in one client account and amounts transferred once cleared, subject to the usual authorisation process.
- If there is a discrepancy between amounts or tenants, contact must be made with the payor within 24 hours to determine why there is a difference.

1.5.8. Returning unidentified income

- All efforts must be made when attempting to identify tenant income.
- Every database must be checked and the PM consulted regarding every unidentified receipt. If the income can still not be identified, the drawer must be contacted if possible.
- If it is not possible to identify the payor within 3 days, the money will be returned to the source of possible.
- If it is not possible to identify the source the money is held in the client account where it is initially deposited, and records are kept to establish efforts made to trace the relevant tenant.
- If the tenant cannot be traced after 3 years client approval will be sought to transfer to a charity. We would ideally seek client approval to transfer the money to Lionheart and the appropriate indemnity obtained.

1.5.9 Payments made at branch/over counter

- Payments by tenants made over the counter at a branch must not be encouraged. Identifying the payor in these circumstances is extremely difficult.
- If a tenant has made a payment over the counter, immediate efforts must be made to identify the tenant account for which they are making payment and processed on the relevant database.

1.5.10 Unallocated income

- Tenant overpayments are posted on to the relevant tenant account.
- The CAM will take instructions from the PM as to whether the money is returned or held.
- It is not usually acceptable to hold unallocated cash on a tenancy that is not in arrears however there may be reasons for doing so and the PM should be consulted.

1.5.11 Tenant payment plans

- Payment plans will be authorised by the relevant PM subject to client approval and the CAM informed.
- If the plan needs to be cancelled or amended this will be done by the PM and the CAM informed.

1.6 Client Bank Accounts

Payments made from client funds must be supported by the appropriate documentation and authorised by a PM.

Clients authorise us to make payments and provide the necessary funds. Payments are made by electronic transfer. We do not set up direct debits.

Income that has been paid into a client account in error should be withdrawn within **ONE** working day of identifying the error.

1.6.1. Client specific bank accounts

- We have client specific accounts, one common client account and one CMM account.
- Any funds paid into the common client account is identified and transferred within **ONE** working day to ensure any interest is correctly added to the client account.
- All client specific and common bank accounts are reconciled by the accounts team every month.
- Reconciliations are performed at least once every month.
- Client bank accounts are reconciled to bank statements.
- Reconciliations should not include regularly occurring adjustments or items more than three months old.
- Reconciliations are prepared by a member of the accounts team, checked by a CAM and reviewed and signed off by a director.
- Reconciliations include:
 - a full list of clients account transactions ledger
 - a full list of dated unpresented cheques.
 - a full list of dated outstanding deposits.
 - systems reports supporting reconciliation figures as appropriate.These are produced as a formal statement with any resolved difference or adjustments being fully investigated.

1.6.2 Overdrawn bank accounts

- Debit balances on bank statements should be investigated and rectified immediately.
- If the problem cannot be resolved immediately then funds should be transferred from the office account.

1.6.3. Tenant rent deposit bank accounts

- Tenant Rent Deposit Accounts are created to hold rent deposits for the term of the relevant tenant's lease within CMM.
- Deposit monies will be entered on the tenants' account on the date of receipt and held as unallocated cash while the deposit account is being opened.
- Once the account number is known, the deposit monies will be transferred to the new deposit account immediately and the relevant entries made on the new tenant record.
- It is the responsibility of the PM to inform CAM's of:-
 - Basis of paying interest
 - Basis of repayment
- Tenant deposit accounts are reconciled monthly; any interest paid will be added to the tenant deposit account immediately. The account information is held on a central log and is updated by the CAM.

1.6.4 Opening and closing bank accounts

- The CAM is responsible for opening new bank accounts.
- All agent-controlled client bank accounts must include the name of the client and the word 'Client'.
(For example: Hornbeam CPAM Ltd re Global Bank Ltd – Client Account)
- The CAM will write to the bank with the details of the accounts to be opened.
- Clients, and tenants if a rent deposit account, are notified in writing of the details of the bank accounts that have been opened.
- A letter will be obtained from the bank confirming the account has been opened in accordance with our instructions and in line with RICS guidelines.
- Where client-controlled bank accounts are in use we should confirm to the client that we do not have exclusive control over the relevant bank account and therefore it is not covered by RICS Rules of Conduct or clients' Money Protection Scheme.
- Copies of the above standard letters are held on the RICS files.
- When closing accounts all unused cheques will be destroyed.

1.6.5 Un-presented supplier cheques

- Cheques that have not been presented to the bank after 6 months will be cancelled.
- The CAM must instruct Purchase Ledger to contact the payee to determine if the payment (s) is still outstanding. If the payment (s) is still outstanding, a replacement cheque will be obtained.

1.6.6 Movement of funds

- It is the CAM's responsibility to ensure the accuracy of any movement of funds.

1.6.7 Inter-account transfers

- All inter-account transfer movements will be supported with the relevant paperwork which includes system posting reports, purchase invoices or other appropriate documentation, which will require appropriate authorisation.

1.6.8. Electronic payments

- BACS or CHAPS payments will be created on the appropriate on-line bank by a member of the accounts team.
- A copy of the electronic payment will be printed from the on-line bank and attached to the relevant advice.
- This is emailed to a Director for authorisation (see section 1.6.9). The payment is then verified by a separate member of the accounts team.
- The same person cannot prepare and verify an electronic payment.

1.6.9 Authorisation for payments

- Payments will be created by the accounts team, emailed to a director for approval (with the appropriate backing details attached) and returned to the CAM to be released.

1.7 Data Management

- A client's reporting requirements will often be dictated by their company accounting periods and VAT periods end dates.
- The client's requirements will be established at the start of a new instruction.

Changes to the lease details held on the database will be carried out by the CAM and only made with written authorisation from the PM.

1.8 Client reporting payments to client

- It is the responsibility of each CAM to ensure timely and accurate payments to the client as often as the client dictates.

1.9 Purchase ledger

- It is the role of the purchase ledger to maintain up to date creditor accounts, ensuring accuracy of information and timely settlement of invoices in accordance with agreed credit terms.

1.9.1 Receiving invoices

- Incoming invoices must be date stamped as soon as they are received if by post.
- All invoices must be addressed to the client c/o Hornbeam CPAM Ltd as follows:-
Client name
C/O Hornbeam CPAM Ltd
5 Furzton Lake
Shirwell Crescent
Furzton
Milton Keynes
MK4 1GA
- Invoices are received directly by PM's must be passed immediately to accounts for registration.

1.9.2 Invoice registration

- All invoices will be logged onto the purchase ledger log as soon as they are received.
- All relevant invoice information will be entered at this stage of the process including the allocation of a reference number, supplier name, description of service, invoice date, Invoice number and Net, VAT and gross amounts.
- Purchase Ledger will check that the client's name and property to which the charges relate are correct to the best of their knowledge. If there is any error, the supplier will be requested to amend their invoice. They will still be logged though noted as requiring amending.
- Purchase ledger will then pass the invoices to the relevant PM to authorise.

1.9.3 Invoice authorisation

- Once registered, invoices will be emailed to the relevant PM authoriser who will sign, code and return each document in a timely manner.

- Only the current period charges will be paid. B/F balances will be investigated and copy invoices requested if necessary.

1.9.4 Queried invoices

- PM's will notify purchase ledger that the invoice is in dispute to update the log.
- The data base will be updated, to show that the invoice is in dispute, together with a valid reason and the date it was placed in query.
- The PM or Purchase ledger will contact on a regular basis the creditor to resolve the dispute and update the supplier log with the information and new date.

1.9.5 Payment runs

- Payment runs must be performed in a timely manner, no less than 1 per week and to client instructions.
- All utilities invoices to be entered onto software as immediately due for payment.
- Supplier bank details must be received in writing and then entered onto their account as soon as they are received.
- All suppliers will be paid by electronic transfer.

1.9.6 Purchase ledger files

- Following a payment run, the invoices and payment details will be filed by the purchase ledger team on the server.
- At service charge year end purchase ledger accounts assistants will compile a file of invoices relating specifically to that s/c year and pass this to the relevant PM.

1.9.7 Supplier statement reconciliation

- Supplier statements will be reconciled to the relevant database as soon as they are received.
- Copies of missing invoices will be obtained immediately.

1.9.8 Rent raising

Invoices are issued by the CAM prior to the due date ideally a month in advance of the due date.

All rent demands must first be authorised by the PM. The CAMs will provide a draft demand listing and an exception report to each PM for them to check and return to the CAM's for amendments.

It is the responsibility of the CAM to ensure non-standard periodic demands are sent out in a timely manner giving the tenant sufficient time to arrange payment.

In the case of pro-forma invoices the accounts team will ensure that VAT invoices are produced after the daily posting of tenant receipts.

1.9.9 Credit control

To ensure timely collection of rent and other charges, arrears are chased by telephone by either the CAM or PM, this will continue until either payment is received, an arrangement to pay formalised or formal debt recovery proceedings (to include bailiff action) initiated. Arrangements and proceedings must be authorised by the Client.

1.9.10 Service charge reconciliation

- It is the PMs responsibility to ensure service charges function correctly and in accordance with the Property Management contract/letter of agreement and lease.
- Prior to the start of each service charge year the PM will ensure that a budget is set, approved by the client if appropriate, and passed to the CAM to be loaded onto the database.
- The PM will instruct the CAM to amend any on account charges to reflect the new budget.
- If client approval or external auditing of the draft is required it is the responsibility of the PM to arrange this, however it is also the responsibility of the CAM to monitor and drive the service charge reconciliation process.
- It is the responsibility of the PM to ensure that the apportionment of the service charge expenditure is correctly scheduled and coded.
- Our target is to finalise service charges within 3 months of the year end, or otherwise as per the client's individual requirements.

1.10 Fees

Fees will be paid to Hornbeam CPAM Ltd in accordance with the relevant Property Management Agreement. Fees will be paid directly by the client upon rendering an invoice. Alternatively, fees can be paid from a client account and an invoice sent to the client to confirm the monies have been deducted in line with the Property Management Agreement.

Adopted

Date **23 May 2025**

Date of
Next Review **23 May 2026**