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# **BANKING AND CASH MANAGEMENT**

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## **FINANCIAL PROCEDURE 17**

**OWNER: Head of Financial Control**

**FINANCIAL PROCEDURE**  
**BANKING AND CASH MANAGEMENT**  
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You should read this Financial Procedure in conjunction with the Council's -

- Code of Financial Governance
- Council Information Security Policy
- Financial Procedure on Income Collection and Recovery of Debts
- Financial Procedure on Ordering and Paying for Goods and Services
- Financial Procedure Treasury Management

## CONTEXT

### **INCOME**

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#### **Why is Income important?**

The CFO is responsible for ensuring that there are effective income collection systems that enable all income to be identified, collected, receipted and banked properly, and VAT is correctly accounted for.

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It is preferable that income is obtained in advance or at the point of supplying goods or services as this improves the Council's cash flow and also avoids the time and cost of administering debts.

Income must be collected from the right person, at the right time, in accordance with the procedures set out in this financial procedure.

All money received by an employee on behalf of the Council must be properly recorded and paid without delay into a nominated Council bank account. Income must not be used by any Council employee to cash personal cheques.

The Chief Finance Officer is responsible for ensuring that the individuals responsible for cash collection should be separate from those identifying the amount due or reconciling the amount due to the amount received.

The Chief Finance Officer will ensure that all departments are supplied with receipts, documents and other forms and confirm that there are appropriate arrangements for their control.

## **Cash Flow Management**

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### **Why is Cash Flow Management important?**

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Cash is the lifeblood of any business, it is the medium of service transactions, store of value and means of measurement. As such it is important to ensure there is early collection and safe keeping.

The Chief Finance Officer is responsible for managing the banking contract and the day to day administration and reconciliation of accounts. The Chief Finance Officer is responsible for ensuring Council run schools have secure banking arrangements and manage their bank accounts in accordance with the Schools Financial Regulations.

Directors are responsible for ensuring that any cash or cheques received by their staff are stored securely and passed as soon as possible to the Income processing team.

Staff must not open accounts in the name of the Council, Members or Officers unless they are acting on the instructions of the Chief Finance Officer . Opening an unauthorised bank account is a disciplinary offence. Arrangements for banking are set out in the Financial Procedure: Banking & Cash Management.

Only the Chief Finance Officer can authorise the opening and closure of any bank accounts and agreeing the associated mandates.

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## **FINANCIAL PROCEDURE**

### **BANKING AND CASH MANAGEMENT**

#### **1. Introduction**

- 1.1 Proper controls on the arrangements for managing the cash resources of any organisation are at the heart of any effective strategy for utilising those resources to their maximum potential.
- 1.2 For the Council, those controls must include ensuring:
- (a) the receipt/collection of income as early as possible;
  - (b) that income collection is maximised at minimum operational cost;
  - (c) that cash is stored securely pending banking;
  - (d) that income collection is banked within 5 working days;
  - (e) that payments to creditors and staff are not made earlier or later than necessary;
  - (f) that accurate information on cash flows is available to enable borrowing and investment decisions to be made to maximise the benefit to the Council;
  - (g) that the Council does not fall a victim of money laundering regulations violations;
  - (h) that effective measures exist to protect cash resources;
  - (i) that the most beneficial terms are negotiated for banking facilities.
- 1.3 This procedure brings together in one document all the relevant information on Banking and Cash Management.

#### **2. Banking Arrangements**

- 2.1 The Scheme of Delegation by the Council delegates to the Chief Finance Officer the responsibility for making appropriate arrangements to satisfy the Council's banking requirements.
- 2.2 The Chief Finance Officer will review the Council's banking arrangements on a regular basis and at least once a year. A fixed-term contract for the provision of the full range of required banking services will be entered into, usually for a period ranging from three to five years.
- 2.3 The Chief Finance Officer will arrange for sufficient separate Bank Accounts, including a Post Office Girobank facility, to be maintained to satisfy the requirements of the Council and individual Council establishments.
- 2.4 Only the Chief Finance Officer can authorise the opening or closure of bank accounts carrying the name of the Council.

- 2.5 An Officer, nominated by the Chief Finance Officer, shall be responsible for maintaining records of all bank accounts carrying the name of Central Bedfordshire Council and for controlling signatory arrangements to those accounts.
- 2.6 Arrangements will be made to ensure that the balances on all eligible Council Bank Accounts, excluding the Post Office Girobank Account, are brought together ("pooled") at the end of each Bank business day, for the purpose of calculating bank overdraft charges or interest credits.
- 2.7 The Chief Finance Officer will make suitable arrangements to satisfy legislative requirements for Schools to have individual cheque accounts with banks.
- 2.8 The Council's objective is to minimise the charge for the provision of its banking requirements by making use, wherever possible, of automated transmission systems for making payments and for receiving income and by reducing cash transactions.
- 2.9 All bank accounts must be reconciled at least monthly. All reconciliations must be reviewed and authorised monthly by the Financial Controller and quarterly by the Head of Financial Control in accordance with the **Financial Procedure: Control and Suspense Accounts**.

### **3. Income Collection**

- 3.1 To gain maximum benefit from the income which it receives the Council requires that all income is collected and credited to its bank accounts as quickly as possible. It is Council policy wherever possible, to seek payment in advance of supplying goods or services.
- 3.2 Where an invoice has to be raised, it is essential that debtors are billed as swiftly as possible and that follow-up of unpaid accounts is carried out on a regular and timely basis. Details of these arrangements appear in the **Financial Procedure on Charging for Goods and Services**.
- 3.3 Cash and cheques collected and banked by business units, must include accurate details of transactions and be entered into SAP within one week of banking to facilitate the bank reconciliation process.
- 3.4 Officers depositing cash and cheque income through the Income Section must ensure that the bank summary sheet is fully completed and includes details of the relevant income codes or invoice numbers to be credited.
- 3.5 It is also essential that cash and cheques are banked promptly within 5 working days of receiving them and not held on Council premises for long periods. This provides additional security against loss through theft besides maximising the benefit from the receipt of the income. It is important that SAP User Guides and Capita User Guide, available on the Councils intranet, are followed in detail when processing income,

- 3.6 Every transfer between members of staff of money or cheques belonging or due to the Council shall be evidenced in the records of the Operational Unit concerned.
- 3.7 Every employee shall notify to their Line Manager details of any uncollected or collectable areas of income for the Council that they may encounter; see **Financial Procedure on Debt Recovery**.
- 3.8 For certain types of income, arrangements should be made for these to be received and credited to the Council's Bank Account on the same day through the Clearing House Automated Payments System, (CHAPS). This applies particularly to large payments received in respect of:

Government Grants and Reimbursements  
VAT Reimbursements  
Receipts from the sale of Council property  
Temporary and Long-Term Borrowings by the Council

- 3.9 Many payments are made daily into the Council's bank accounts by third parties. Efforts should be made to get sufficient information from the third party to enable these amounts to be credited to the appropriate customer account, or to credit the business unit/profit centre and keep uncleared lodgements to a minimum. Any Department expecting income should notify Income Services with the Grant Order, Invoice number or codes as soon as possible.

## **4. Security of income**

### **4.1 General**

- (a) Heads of Service are responsible for ensuring the collection and banking of all cash income relating to their units.
- (b) This section is designed to assist in the procedures to be applied to the security of income, i.e. cash, cheques, postal orders, collected at Council offices and establishments as required by Financial Regulation 10.
- (c) Receipts must always be given when an incoming payment is made in cash. Receipts for cheque or other payment method will only be given on request.
- (d) Income should be banked at least weekly and every effort must be made to bank all income collected and held prior to the closing of the office/establishment for a weekend/holiday period.

### **4.2 Official Receipts**

- (a) The official receipting of income received can be by the following methods and should be covered by written procedures designed for the unit collecting the income.
- (i) **Tills/Cash Registers/Receipting Machines.** The type, location and use of these facilities may vary from office to office. Advice on the

required controls can be obtained from Internal Audit if not already available within the respective Unit.

(ii) **Official Miscellaneous Receipts.** Official receipt Books are obtainable from Income. Receipts can be issued directly from SAP when a cheque, postal order or cash amount is being entered.

(iii) **Another Record Approved by the Chief finance Officer .**

- (b) Official receipting methods must only be used for acknowledging receipt of official Council income and specifically authorised income in respect of unofficial funds, e.g. Social Services Amenity/Comfort Funds.
- (c) Receipts must be issued at the time the income is collected / received and must not be issued retrospectively. Where a receipt is hand-written (i.e. not system generated) duplicated paper copies must be used to obtain a duplicate copy. Care must be taken to ensure that the quality of the carbon paper is such that the duplicate copy is legible.
- (d) Under no circumstances should amendments be made to completed receipts. If an error is made the receipt must be cancelled, all copies retained and a new receipt issued.
- (e) As soon as is practical or prior to an establishment/office being left unattended, all income must be taken to the person responsible for banking. All transfers of cash between members of staff must be formally acknowledged in writing by the receiving member of staff, i.e. issuing an official receipt to the collector, initialling the last fast bound copy Official Miscellaneous Receipt or endorsing the Cash Book or signing some other permanent record of the amount and date of transfer. Further advice can be sought from Internal Audit.

### **4.3 Receipt and traceability of Cheques**

- (a) All cheques received must be made payable to Central Bedfordshire Council.
- (b) Where cheques are banked directly by schools or services the name/cost centre code of the receiving location must be marked on reverse of all cheques to aid identification in the event of the cheque not being accepted by the bank.
- (c) Where cheques are banked by the Income team, sufficient information about the cheque will be captured at input to enable the transaction to be identified in the event of the cheque not being accepted by the bank.
- (d) Where cheques are received and input by Customer Services officers using the Capita income system, a specialist printer is used to endorse the reverse of all cheques.



#### **4.4 Receipt of Postal Remittances**

- (a) Cheques, cash and postal orders may be included in the post received at Council offices and establishments. It is essential that this income is controlled in a secure manner.
- (b) Post opening arrangements should involve at least two people in areas where cheques/cash/postal orders are received (e.g. mailrooms, revenues, income customer accounts).
- (c) All cheque/postal order/cash receipts are transferred from mailrooms at Dunstable and Priory House to the Income section in a sealed pouch. Where cheques are received accompanied by details of the account being paid, these are not individually recorded in the mailroom, however certain exceptions are recorded in individual registers. These 3 registers are signed by a Mailroom officer before sealing in the pouch, and by the Income officer on opening the pouch.
  - (i) Cash and postal orders.
  - (ii) Post-dated cheques.
  - (iii) Cheques with no reference to indicate what is being paid.
- (d) Cheques, postal orders and cash are input into SAP and banked. Accompanying correspondence is kept and filed.

#### **4.5 Other Methods of Payment**

- (a) Credit Card/Debit Card  
The facility to take credit/debit card payments is available by (a) internet, (b) telephone touchtone, (c) calling customer services or (d) calling into one of the council offices in person. .
- (b) Direct Debits  
Direct debit is the most efficient method of payment and should be encouraged for all account holders.
- (c) Allpay Cards  
Customers may be issued with an Allpay card. One card will be issued for each account that is held with the council. Customers can make payment with this, predominantly at Post Offices.
- (d) Internet banking or BACS payments  
Businesses or individuals may make payment directly into the council's bank account. Where an account holder wishes to do this their customer number or invoice number must be quoted in the payment details to enable their account to be credited.

#### **4.6 Banking of Income**

- (a) All income collected must be banked in total to the credit of the Council, i.e. expenditure/deductions must not be applied to the income prior to its banking.
- (b) For banking direct to a bank, paying in books may be obtained from Income Team. These may be used at any branch of the Council's bankers, currently the National Westminster Bank PLC, or another bank but a fee may be payable at the bank's discretion.

#### **4.7 Security Collections**

- (a) In those cases where income is collected from Council offices and establishments by a Security Collection Company, the following procedures should be applied.
- (b) As with normal banking procedures, two members of staff should agree the amount for collection as recorded on the bank paying in slip, a signed copy of which should be enclosed in a sealed security bag along with the income pending collection.
- (c) When the bank paying in slip is complete in respect of the income, the security bag seal numbers must be recorded on both copies of the paying in slip, the top copy being placed in the security bag which is then sealed daily and then placed into an outer bag that can be sealed weekly if required dependant on the weight of the daily bags. Both seal numbers, the amount and date of the banking should be recorded in a log. Care should be taken to ensure the seal is properly engaged so that it cannot be opened in the course of transit.
- (d) Where it is necessary to use more than one security bag due to the volume of income to be collected, a separate bank paying in slip should be prepared for each security bag.
- (e) On collection of the income a receipt must be obtained from the Security Company representatives clearly recording the number of security bags collected and their respective seal numbers.

### **5. Government Grants and Other Reimbursements**

- 5.1 Various Services of the Council are in receipt of considerable sums of income in the form of Grants from Government Departments and Grants and Reimbursements from Health Authorities and other official bodies. In addition, there are reimbursements of expenditure from similar sources - for example from the Department of Transport in respect of expenditure on Trunk Roads. Prompt submission of grant and reimbursement claims is essential to ensure maximum benefit to cash flow.
- 5.2 The receipt of quarterly or other "on-account" instalments of Grants and Reimbursements has a significant impact on the cash flow of the Council. Monitoring of the receipt of Grants and Reimbursements should be undertaken regularly by Budget Managers to verify all sums due are being

received on time. In cases where "on-account" instalments have not been received the relevant Government Department (or other appropriate body) should be contacted by the Budget Manager as soon as possible to establish the reason for non-receipt. All necessary pressure should be brought to bear to ensure that proper payment is promptly forthcoming. Details on how to process grants within SAP are shown on the Councils Intranet site and should always be followed in detail.

- 5.3 Further information on the treatment of grants is contained in the **Financial Procedure – Grants**.

## **6. Payments to Creditors**

- 6.1 To gain maximum benefit from the period of credit allowed by suppliers of goods and services, the Council's policy for the timing of payment of invoices is 30 days from the date of the invoice (if undisputed) and 21 days should the company come under the small business criteria.
- 6.2 Facilities are available however to produce payment more swiftly to gain advantage from discounts offered for prompt payment or for other reasons of urgency.
- 6.3 To reduce the cost of making payments, the Council's policy is to make payments using Bankers Automated Clearing System (BACS) wherever possible instead of issuing cheques.
- 6.4 Should it become necessary to issue a cheque it is the Council's policy to issue crossed cheques, open cheques are only to be issued in exceptional circumstances and kept to an absolute minimum.
- 6.5 Where it is essential that a payment is received on a particular day, e.g. in respect of completion of a property/land purchase, repayment of borrowing or investment of surplus funds, use will be made of the same-day transfer of funds provided by (CHAPS).
- 6.6 Further details of payments can be obtained from the **Financial Procedure: Payment of Goods and Services**

## **7. Payments to Staff and Council Members**

- 7.1 The Council's objective is to minimise the charge for the provision of its banking requirements by making payments of wages and salaries to staff by BACS instead of by cash or cheque. All payments of officers' travelling expenses are made via salary payments. Any variation to this policy will require the approval of the CFO.
- 7.2 The payment of Members Allowances is made by BACS.

## **8. Money Laundering Regulations**

- 8.1 Money Laundering goes beyond the transformation of the proceeds of crime into apparently legitimate money/assets; it covers a range of activities (which

do not necessarily need to involve money or laundering) regarding the proceeds of crime. It is technically defined as any act constituting:

- concealing, disguising, converting, transferring criminal property or removing it from the UK (section 327 of the 2002 Proceeds of Crime Act); or
- entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (section 328); or
- acquiring, using or possessing criminal property (section 329); or
- becoming concerned in an arrangement facilitating concealment, removal from the jurisdiction, transfer to nominees or any other retention or control of terrorist property (section 18 of the Terrorist Act 2000).

8.2 Potentially, any member of staff could be caught by the money laundering provisions if they suspect money laundering and either become involved with it in some way and/or do nothing about it.

8.3 The officer nominated to receive disclosures about money laundering activity within the Council is the Managing Solicitor. In the absence of the Money Laundering Responsible Officer (MLRO), the Chief Finance Officer is authorised to deputise for him.

- (a) Further details can be obtained from the Anti Money laundering Policy and Guidance Notes. For more information contact Internal Audit & Risk Management.
- (b) There is no de minimus figure, so even the smallest amounts must be reported (albeit in a simpler format)

## **9. Cash Flow Forecasting**

9.1 For details of Cash Flow Forecasting please refer to the Financial Procedure of Treasury Management.

## **10. Conclusion**

10.1 Cash is a significant resource and its effective management can provide substantial benefit for the Council.

10.2 Effective cash management depends on having the right systems in place to maximise the benefits from payments of creditors and payroll and income collection coupled with the ability to accurately forecast cash flows to assist borrowing and investment decisions.

10.3 The Council's Banking Arrangements, Creditor Payment and Income Collection Systems are designed to meet the requirements for effective cash management. The co-operation of staff in providing the necessary information to assist in accurate cash flow forecasting will help the achievement of that objective.

10.4 Any enquiries with regard to Banking and Cash Management should be made to the Chief Finance Officer.