

Knight Frank LLP – Business Rates – Client Money Handling Procedures

The purpose of this document is to set out Knight Frank LLP's Business Rates Department Client Money Handling Procedures in line with the treasury function offered to a number of clients in relation to the management and administration of funds received related to Non-Domestic Rates, Council Tax and Business Improvement Districts (BIDS).

The internal controls and procedures set out below have been designed and implemented to follow best practice and RICS Regulations. This Document should be read in Conjunction with the RICS Professional Standards and Guidance UK, Client Money Handling, 1st Edition.

Definition of Client Money.

The RICS Client Money Handling – 1st Edition October 2019, defines Client Money as money of any currency (whether in the form of Cash, Cheque or Electronic Transfer) that:

- A RICS regulated firm holds for or receives on behalf of another person, including money held by a regulated firm as stakeholder; and
- Is not immediately due and payable on demand to the RICS regulated firm for its own account; but
- Excluding fees paid in advance for professional work agreed to be performed, and clearly identifiable as such, unless the fees are for works undertaken as a property agent as defined by the rules of the RICS client money protection scheme for property agents.

How is Client Money Received and Held?

Within the Business Rates team funds are mainly received from three sources, these are.

1. Directly from the client, this will be for Knight Frank to discharge any statutory liabilities due for Non-Domestic Rates (Commonly Known as Business Rates), Council Tax and Business Improvement District (BID) Levy.
2. Funds received from Councils / Local-Billing Authorities in relation to an overpayment of Non-Domestic Rates (Commonly Known as Business Rates), Council Tax and Business Improvement District (BID) Levy.
3. Bank interest received into Knight Frank Held Client Bank Accounts.

All Client money held or received by the Knight Frank Business Rates department is held into either. (A) a general client bank account, or (B) a designated discrete account. These are defined below:

- (A) A general client bank account is a client bank account which holds pooled client money for multiple clients.
- (B) A designated discrete bank account is a bank account set up to hold client money for a single client. The name of the client will be incorporated into the account name.

In the cases of both A & B the client money is under the exclusive control of Knight Frank and the bank accounts are held by a UK banking institution, with a minimum rating of A-/A3/A-+ which is regulated by the Prudential Regulation Authority, the Bank of England and the Financial Conduct Authority.

An internal policy is in place that denotes should any Client (accumulative of all portfolios) have a combined annual liability for Non-Domestic Rates, Council Tax and Business Improvement District (BID) Levy of more than £1million, a designated discrete client account should be opened and all funds should be administered through that account

Access to Funds and Payment from a Client Account

Members of the Business Rates Department have access to funds based on their individual roles which are set out in the banking mandates & system access and approval controls.

All relevant staff within the Business Rates team have the ability to view bank statements and interrogate online platforms to identify payments and receipts, this is through the Barclays.net online portal.

Due to the nature of the payments being made by the Business Rates Team on behalf of clients, two different type of payments are completed.

1. **Bulk Payments** – these are multiple payments that are generated through our bespoke Rate Management software (Riverlake), this allows for multiple payments to be made to different beneficiaries (Councils / Local – Billing Authorities).

Bulk payments have a Two-Tier and Four Step Authorisation Process

Creator/Inputter.

Rate Payment Specialists are authorised to create and enter a bulk payment on the processing system (Paygate).

Authoriser – Payment Release.

The Rate Payment Manager and the Department Head can authorise and release any payment in the process system (Paygate).

Within the processing system (Paygate), the payment is reviewed 4 times before being authorised for release, this will be twice by a Creator/Inputter and twice by an authoriser. Payment requests are expected to be checked against the supporting evidence, for example Funding Reports, Riverlake Extracts and Rates or Council Tax Demands

2. **Internal/External Individual Payments** – these are payments that are processed through Barclays.net and will be individual payments and will either be funds being returned to a client or payment to a Council / Local – Billing Authorities, that fall outside of a Bulk Payment.

A three-stage process is in place for these payments and a person's permissions will be dependent on the role, experience and standing within the Business Rates team

Currently the Business Rates team has the following number of people at each level of authorisation.

Inputter x 3

Level 1 Authoriser x 3

Level 2 Authoriser – Payment Release x 3

An authorised person can only complete one Level of the payment process, however, certain members have permission to complete various stages of the payment process. (e.g. two members of the team have permissions to input payments, complete Level 1 authorisation and Level 2 authorisation (payment release), however, during the payment process, they can only complete one level, if they input they are locked out from completing Level 1 and/or Level 2 and if they complete Level 1 they are unable to complete level 2 and release the payment. There will always be a minimum of two individuals in the approval process, an Inputter and an Authoriser.

An internal 'Payment Request' document has been introduced and this will be completed at all points of input and authorisation of any payment process.

On occasions funds that are received on behalf of a client from a Council / Local – Billing Authority that will be used to offset a future liability of that client, different agreements exist with different clients (e.g. some clients request refunds over a certain level are paid to them), however, where funds received are used for a future liability this is fully documented and the client is made aware. Finance Reports, Ledgers and an Account Balance are provided to the client monthly.

A copy of the bank mandate is held on file and any changes require two signatures in line with the bank mandate of which one will be a Proprietary Partner. The other signatory can be any Partner who is on the bank mandate.

Timescales for receipting of cash and cheques into a client account

The Business Rates team at Knight Frank log all monies received electronically on the day of receipt, where possible, and allocate to the appropriate client balance and ledger.

All cheques are banked promptly, usually within 1 - 2 week of receipt; however, receipt of cheques is a very rare occurrence and only relate to funds received from Council / Local – Billing Authorities. We currently do not accept cheque payments from clients for the payment of Business Rate, Council Tax and Business Improvement Districts (BID) Levy.

Any unidentified funds are investigated as soon as possible. However, due to the way in which a Council / Local – Billing Authority pay refunds, it is not always possible to identify and reconcile a payment in a timely manner, therefore a new process has been introduced that states that should we not be able to reconcile any payment, then we will engage with the relevant council (3-emails over a 3 month relief period). If the relevant information is not returned an official complaint will be issued. Should the amount remain unreconciled then the payment will be returned. In normal non-pandemic times, we would envisage that the query would be resolved within 3 months, however during the Covid-19 pandemic and due to the additional pressure on Councils / Local – Billing Authorities, this timeframe was extended to six months.

We do not hold cheques, if these cannot be reconciled on receipt, they are automatically returned to the issuing Council/Billing Authority.

How interest and bank charges are handled

Knight Frank's Business Rates team's general client accounts are interest bearing, instant access accounts. The account maintenance and transactional banking costs are paid for by Knight Frank and hence are not charged to the general account. As per our standard terms of business Knight Frank is entitled to retain the interest earned on general clients' accounts which is used to offset the account maintenance and transactional banking costs.

Where discrete bank accounts are opened to hold deposit or reserve funds, the interest will be accrued and added to the balance, but any transactional or administrative charges will be paid for by Knight Frank.

The treatment of interest and charges is noted in any Service Agreement / Terms of Engagement. If this is not possible, for example where the contract / Service Agreement is supplied by client, aside letter will be provided denoting the bank account where funds will be held as well as the treatment of bank interest and charges.

Bank reconciliation procedures.

Bank reconciliations are performed on a 4-weekly cycle on all accounts. As per the RICS regulations we perform a three-way reconciliation between the Bank Statement, Riverlake Ledger, and individual Riverlake Client Ledger Entries.

All bank reconciliations are reviewed by three authorisers, one of which will be a Senior Member of Staff (Associate or Partner).

Any discrepancies will be raised as a matter of urgency to the Departmental Head with the relevant chain on reconciliation alongside a report showing any issues with the relevant remedial action required. Any discrepancies will be reviewed every 7 days until they are resolved satisfactorily.

Providing information to clients about monies held on their accounts.

As part of agreeing our responsibilities with our clients at the outset of an instruction, we set out the details of the financial information and frequency with which it is to be provided to our clients and this is documented through the service agreement or terms of engagement. It is our normal practice to provide client money information to a client monthly with a reconciled ledger provided at the end of each Financial Rating year.

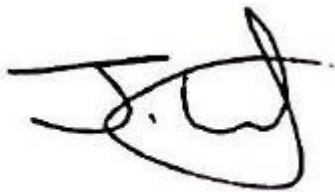
Staff Training.

All staff will be expected to be compliant with the money handling procedures and will be required to familiarise themselves with RICS Client Money Handling Guidance, this will be reviewed on an annual basis by the Rate Payment Manager, and all staff will be expected to confirm by e-mail that they have familiarised /refreshed their knowledge.

Should RICS provide any updates or any changes are made to the Guidance, this will be provided to all staff by the Rate Payment Manager. Each member of staff will need to provide their agreement and understanding.

Money handling protocols will be included in any induction process for any new member of the team who has access to view and administer client's funds.

Approved by Jeffrey Waters, Associate, Rate Payment Manager

A handwritten signature in black ink, appearing to read "J. Waters", written over a horizontal line.

17th December 2023

To be reviewed annually – Next review due 27th April 2024