

Bank Accounts

NCVO/NatWest Financial Management Advice Service

Information Briefing no. 1

This Information Briefing gives advice on how voluntary organisations can get more out of their relationship with banks and building societies. The streamlining of services and banking procedures means that careful thought needs to be given to starting, maintaining and ensuring an efficient working relationship with your bank or building society.

Issues to consider

- Selecting the right bank for your charity
- What controls need to be in place?
- Who are the main providers of charity banking and what services do they provide?

Charity Commission

Several of the Commission's booklets deal with the responsibility of trustees to ensure that charitable funds are protected once received by the charity. Ensuring that proper banking facilities exist for your charity will form an essential part of meeting the responsibility of trustees.

Selecting the right bank

Whether you are opening an account for the first time or are reviewing your banking arrangements the following will be important:

- Be clear about what type of service is needed. For example: use of electronic banking; whether automated payment and collection services are required; investing of surplus cash; payroll services and account reconciliation services, which will be especially relevant for charities that outsource collection services and use bank lockboxes.
- Having a simple tender document will provide you with an objective and standardised method for evaluating each bank. The tender document should include the following key areas:
 - structure of tariff and charges for all banking arrangements;
 - interest arrangements for credit balances;
 - term of contract;
 - your current banking procedures (if any) and volume of transactions;
 - areas of likely change;
 - electronic banking;
 - clear process for evaluating and receiving tenders.
- Shortlisting: key areas should include:
 - evidence of quality standards achieved?
 - can they provide references?
 - whether relationship manager has charity sector experience
 - how responsive is the bank to lending facilities?
- Be clear about the costs involved when moving banking arrangements. These will include staff time, changes in procedures and parallel running.
- Use consultants to assist with the process. See section on further help.

Having selected your banker, you will need to appoint them by a resolution at a meeting of your management committee/trustees. The bank will provide you with the wording for the resolution, with blank

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spaces for you to complete dates, names and other details. Make sure that you keep a full copy of the resolution for reference.

What controls need to be in place?

The Charity Commission has worked with the financial sector to tighten account opening procedures and to identify ways in which charities can take greater control over their bank and building society accounts.

Problems with branches and fundraisers

Many charities now have branches throughout the country with their own accounts. There is a risk that accounts are opened without the knowledge and/ or authority of the national charity. Charitable funds are then banked into these accounts and may subsequently be withdrawn and used for non-charitable purposes.

The Commission, together with the British Bankers' Association and the Building Society Association, have established better account opening guidelines for their members. Under these guidelines, it is recommended that banks and building societies check the applicant from that charity to make sure that anyone wishing to open an account has the authority of the national charity.

Related finance systems and procedures

- The signature of two management committee members/trustees should be required on all cheques. Cheque signing should not be regarded as a mere formality - both signatories should understand and approve the payment. Cheques should never be signed blank. It is a good idea to have more than two signatures on the bank mandate, (i.e. the bank should be instructed to accept any two signatures from a panel of (say) four people), so that urgent cheques can still be signed when the usual signatories are on holiday or otherwise not available.
- All money received should be banked as soon as possible after receipt. Letters and other documents related to details of all amounts banked should be kept. Cheques and cash received should always be listed when the post is opened. More than one person should be present at post opening, and the person/people responsible for opening post, listing cheques and cash received should not be the same as the person who does the banking. Very small organisations that are unable to divide duties in this way should be aware of the possibility of error or fraud because of this weakness in their financial controls.
- Invoices or other papers giving details of all payments should be kept. Personal money should not be mixed with the organisation's money. For example, bills should be paid out of the organisation's account, not trustees' personal bank accounts, and the organisation's money should never be banked into personal bank accounts.
- You will need a competent treasurer. The treasurer or book-keeper will keep a cash book and check entries to the bank statement at least once a month, preparing a bank reconciliation statement. It is good practice for more than one person to have a detailed knowledge of the organisation's finances, so an active assistant treasurer is desirable. The treasurer should prepare financial reports for each committee meeting.
- If you find that you regularly have more than a small balance in your current account, (say £100), you should open a higher interest account such as a deposit account or a business savings account. Then arrange transfers between the current and higher interest accounts to ensure that you maximise interest subject to having sufficient funds in the current account to make payments required. Most banks will operate these transfers automatically on a daily basis once you have issued the initial instruction.

Bank accounts for charities

Set out overleaf are details of bank accounts suitable for smaller and medium-sized charities. The table of terms and conditions below was originally published in *NGO Finance* magazine. Readers are advised to contact banks directly for confirmation of account and service details.

Key

T/o =turnover.

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Bank/ Building Society	Applies for max turnover of:	Free banking?	Transaction charges	Standing charge	Copies of previous bank statements	Audit Letter	Stopped Cheque	Use of night safe	Electroni c funds transfer	Charges for large cash deposits	Branch pooling facilities offered?	On line services?
Abbey National Charity Investment Account	Maximum deposit: £2 million	Yes, and tiered interest on credit balances	Nil	Nil	N/a since uses passbook. No set charges if requested	Nil	Nil	N/a	Free	Free where branch agrees	No	No
Bank of Scotland Treasurers Account	No maximum	Yes, and interest increases on balances over £5,000	Nil	Nil	£5 per page up to £10.	£20 per hour + VAT, min £40 + VAT	Nil	£60 per annum per wallet	£15	No	Yes	Yes, account info and funds. Can also view payments
Barclays Community Account for Clubs, Charities, Churches & Societies	No maximum	Most customers will pay no charges. Tiered interest on credit balances up to £25,000	Above ten debits per month, £1.50 per debit; all credits free	Nil	At discretion of branch	Free	£8 (nil if stolen)	£2.25 per deposit	No set charge	Yes, for very large levels of credit t/o; by negotiation	Yes- automated transfer facility. Charges vary with frequency	Yes, Businessm aster and pc banking. Account info and funds transfer. Charges by negotiation
Britannia Gross Interest Deposit Account	Maximum deposit: £50,000	Yes	Nil	Nil	Nil	Nil	Nil	N/a	Not normally	No	No	No

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Bristol & West Charity Account	Maximum deposit: £50,000	Yes, and interest dependent on level of credit balance	Nil	Nil	£15 first sheet, £25 for 2 sheets etc	No set charge	Nil	N/a	£15	No	No	No
Co- operative Bank Charities Direct Account (CDA) Negotiated Charities Account (NCA)	Negotiable	Negotiable CDA – interest dependent on level of credit balance over £5,000	Balance >£2000, 15p to 18p for cheques and debits. Under £2000, 50p per item	Nil	£6.00 per copy	£35 + VAT	£8	£35 per wallet + £2.35 per deposit	£20	Cash more than £6000 per month is charged at 55p per £100	Yes	Yes - 2 options: Finance Director and Finance Director for Business. Choice depends on requirements.
Girobank Club Account	No maximum	Yes, if officers are unpaid and account is in credit	Nil	Nil	£5.00 per copy	£20 + VAT	£10	N/a	N/a	No	No	No
Halifax Treasurers Account	Negotiable	Yes, and interest on credit balances	Nil	Nil	Nil	No set charge	Nil	N/a	£18	No	No	No
Leopold Joseph Banking for Charities	No maximum	Yes, and interest on credit balances	First 10 transactions per month free; negotiable thereafter	Nil	Negotiable	Nil	Nil	N/a	£17.50	Nil	Yes	Up-to-date account information online BACS payment capability. Charges by negotiation

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Lloyds TSB <i>Treasurers Account (TA)</i>	Low account activity	Yes, up to ten debits per month; all credits free. Tiered interest on credit balances	First ten debits per month free; £2 per subsequent debit	Nil	£6 per sheet (last statement free, if lost or not received)	Negotiable total, min £25 + VAT	£8 (nil if lost or stolen)	£2 per deposit, charged monthly	£20 (CHAPS)	Yes, by negotiation	Yes, by negotiation	Lloydslink: cost depends, but available from £25 per month. Initial set- up from £50 (for self- install)
HSBC <i>Treasurers Account</i>	£100,000	Yes, provided there are < eleven cheques paid from the account per month, and interest on credit balances	First ten cheques per month free. Subsequent cheques charged at 60p each	Nil	Free	£25 + VAT	£7.50 (nil if lost or stolen)	£7.50 per quarter per wallet, plus £2 per deposit	£17.50 within Midland £20 to other banks	Negotiable	Yes, by negotiation	Yes. Account information, funds transfer and balance reporting
National Savings <i>Treasurers' Account</i>	No maximum	Yes	Nil	Nil	Nil	N/a	N/a	N/a	Free (BACS)	Nil	N/a	No
NatWest <i>Clubs, Societies & Charities Account</i>	£100,000	Free, if in credit and if annual turnover <£25,000 (or <£100,000 for first year), and interest on credit balances	64p per transaction	£6 per quarter	£2.50 per sheet (£5 minimum)	Free	£7	Nil	£21 NatWest branches £23 between other banks	64p per credits. Neg for large charities	Yes	Bankline. Account information and funds transfer. Software £159. Monthly account charge £10

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Unity Trust Bank Standard Current account (SCA) Instant Access Current account (IACA)	No maximum	Yes, unless high level of activity (SCA). Tiered interest on credit balances (IACA)	Nil (SCA) 65p (IACA)	Nil	£2.50 per copy	£27.50 + VAT	£7.50	N/a	£20	Normally yes, can be offset if tailor -made banking negotiated	Yes	No
Yorkshire Bank Clubs and Societies Tariff	No maximum	Yes, when non-profit making club or society, and interest on credit balances	Nil, although there are negotiable charges for accounts with high activity (>26 transactions per month)	Nil	£5 per copy	£25 per hour + VAT (£25 min)	Nil (for lost or stolen) or £7 (if at customer's request	£10 per quarter + £2 per deposit	£18	Yes, individually assessed	Yes	24 hour telephone banking for balance and transaction enquiries, account transfers and bill payments

Publications and further information:

- *CC 3 Responsibilities of Charity Trustees*, 1996, Charity Commission.
- *CC 8 March 1996 Internal Financial Controls for Charities*, Charity Commission provides basic controls that charities should have in place.
- *CC20 Charities and Fundraising, 1995*, Charity Commission
- *Charity Finance Yearbook 1999*, Plaza Publishing Ltd.

Sources of Help:

- NCVO Voluntary Sector HelpDesk - freephone 0800 2 798 798
- Financial Management Adviser, at the address below

Accuracy of contents

This information briefing describes the law and best practice in force in the UK at October 1999. It is intended for guidance only and is not a comprehensive statement of law. Neither NCVO nor NatWest can accept responsibility for any errors or omissions or changes in legislation, or for action taken, or refrained from, in consequence of the information it contains.

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NCVO also offers management development, personnel, fund-raising, trustee and legal advice in order to help voluntary organisations to operate more effectively.

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