



The Top Five Cash Management Challenges Facing Residential Managing Agents

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David Russell, Director of Account Management at Cashfac, looks at the key cash management challenges facing today's RMAs

Technology plays a crucial role in managing the day-to-day cash management operations of Residential Managing Agents (RMAs). Account records and systems need to be suited to the nature and volume of client account transactions, with strong controls in the areas of segmentation and control of service charge monies with the avoidance of deficit positions.

Top Five Cash Management Challenges

There are many common cash management challenges facing today's RMAs. In our experience the top five are as follows:

- 1. Client funds segregation:** The need to be able to segregate service charge monies (and sinking funds) to ensure they are separately identifiable at property or scheme level. To do this, many RMAs have had to open and operate hundreds (and sometimes thousands!) of bank accounts, all with onerous, manual account opening processes.*
- 2. Three-way reconciliation:** A three-way reconciliation involves reconciling cash book balances to bank statements and to individual client ledger balances with evidence of review and sign off. RMAs using labour-intensive spreadsheets encounter inaccurate and slow receipt allocation, difficulties in managing unidentified receipts, inability to return cash-to-sender for unmatched items and resourcing to match peak workload times.
- 3. Controlling client money payments:** RMAs must ensure enough funds

are held on behalf of their client before payments are made so that client ledger balances never become overdrawn. Being in adequate control over client money payments can be a significant issue.

- 4. Segregation of duties:** Challenges from having no solution to segregate duties across personnel across departments and locations, such as systems access and transaction authorisation.
- 5. Manual entry errors:** Costly mistakes and productivity inefficiencies from having no or minimal automation of data transfer across key systems for payments, interest processing, and receipts.

Five ways to tackle these challenges

RMAs are increasingly looking to invest in technology to automate their manually intensive or spreadsheet-based processes across several key business areas including receipt and reconciliation management, payments, interest processing and bank account opening and closing. Here at Cashfac for example, we help Managing Agents to manage trust money more effectively by implementing a Digital Cash Management solution.

We identified the five greatest cash management challenges, so here are five of the main ways RMAs are benefitting from adopting leading-edge tech to meet these challenges head on:

- 1. Quicker new properties / schemes onboarding:** Real-time opening of virtual accounts allows RMAs quicker onboarding of new properties or schemes. Having automated account opening

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Implementing a tech solution will improve Integration options, helping you simplify data transfer processes across different systems.

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and closing through fully functioning virtual accounts offers all the features of real bank accounts within a self-service virtual banking model.

- 2. Increasing receipt matching success:** Integration with rent books and better digital exchange with banks for automated and faster matching before start of day.
- 3. Avoidance of breaches of trust:** Increased control from automated segmentation and identification of service charge monies at property level will help avoid using service charge monies for one property to subsidise another, and without the ability to go overdrawn. With the right tech in place, you can also put in place control of payments, implementing transaction and user authorisation limits.
- 4. More precise and faster accounting to clients:** Automated alerts when the money received does not match the demands, with reconciled and complete cash accounting entries sent to the rent books using the original rent book references. Credit control can be enhanced by analysis of rent history.
- 5. Stronger operational risk control:** By bringing rent books and bank accounts into close connection for a single, reconciled source of truth and elimination of manual processes such as re-keying payments, cash book tick off for receipts, interest posting and account opening. Three-way reconciliation is driven through automated double entry bookkeeping disciplines.

For more information on how Cashfac can help with your operational cash management challenges please contact marketing@cashfac.com.

*It should be noted that while many agents choose to open designated client accounts, there is no requirement to do so. They can also operate undesignated client accounts.