

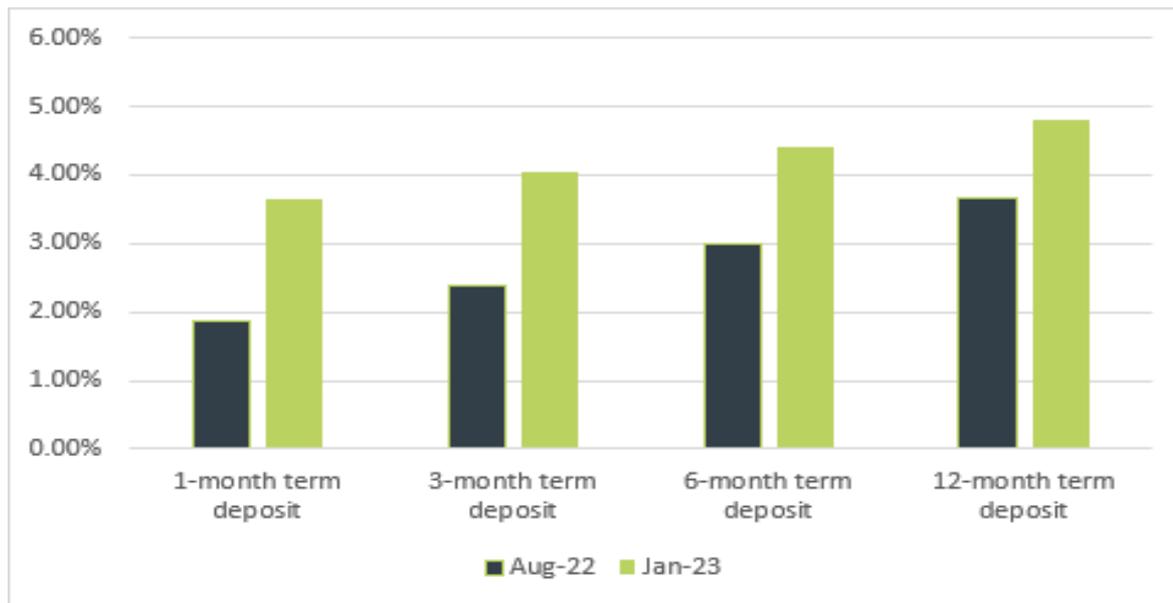
ATFS Bulletin January 2023 Improving returns on cash deposits

Short Term Cash Options

Currently interest rates are rising at a regular frequency meaning it is worth reviewing the current returns you are receiving on any surplus cash held. A good starting point would be to review the Treasury Management Policy (TMP) you have in place, ensuring it is still relevant for the University and allows you to make changes to existing arrangements if needed. With the way the banks are now regulated, shifts are often presented of who is competitive in the short-term fund marketplace. Often banks will need to increase rates to look to bring in more money at certain times of the year, with a flexible TMP this gives you more opportunity to make the most of the surplus funds you hold.

As per the table below we have seen sharp increases in available rates since the end of summer 2022. The table compares advertised term deposit rates from the end of August with available rates as of 30th January 2023. As we can see from the table, the current 1-month term deposit rate has increased by 97%, 3-month term deposit rates by 68% and 12-month rates by 32%. By utilising the new rates available, there is the potential to increase the annual return by more than £57,500 based on £5m deposited on a 12-month fixed rate.

Table 1



Money Market Liquidity Funds

Money market funds can often compete on returns offered from existing banks and building society rates, while also offering some additional benefits. The funds often focus on sustainability which can assist with information requests of who the University is holding funds with. A Non-Bail in weight for funds is often more than 50%, which gives an additional layer of security for the University. With the Non-Bail in weighting, in the event that companies within the funds come into trouble, the funds you hold are further protected than if a bank or building society failed, due to the changes after the banking crisis in 2008. Having a Non-Bail in weight puts the deposits ahead of other creditors which can differ from bank or building society rules.

Many companies have a good understanding of what is important to the sector and will not invest in fossil fuels, armaments, and tobacco as a minimum requirement. The advancement of the online portals gives you the ability to switch funds and also check performance of the holdings. This provides more control over the potential returns and allows the University to look at longer term or funds with increased risk for potential increased returns if required. During uncertain financial times it is important to have the ability to be agile with funds while also having as much security as possible, and from the work we have completed Money Market funds show to give these benefits.

ESG has also been a big focus for the funds over the last couple of years. Many of the fund managers will give the funds and companies involved an internal assessment. The fund managers have internal ESG teams that will monitor these continually to be prepared for the changing world we are in. This can give comfort that the University will not get caught out with unknown information should mergers and acquisitions lead to exposure of ESG issues.

The fund managers already work within the sector and have a good understanding of the requirements needed for a University. Having a relationship or client manager on hand to assist with advice or any changes needed to fund management is beneficial. Onboarding can be a simpler process than some account opening procedures we have seen with some building societies or banks in recent times. The fees being competitive for the services offered and fund management including the Non-Bail weighting. The key consideration is partnering with the best fit and fund for the University, and especially in uncertain times, having the right team by your side can provide a valuable additional resource.

Online Savings Portals

We have seen a rise in online savings portals that can assist in the administration of opening separate bank or building society accounts with all initial KYC (know your customer) and KYB (know your business) checks completed by the companies. The portals then give access to several savings account options from a range of providers. This gives an easier way of switching through the portal rather than having to switch accounts directly with banks and building societies. The rates offered are marketed as leading rates, with various account options from instant access through to term deposits with a five-year fixed rate.

The companies providing the portal make money by taking an agreed percentage of the returns that you will make from the companies that the savings are lodged with. The management fees are in the region of 0.15% - 0.25% and if the rates offered are improved on what you can obtain directly from a bank or building society, this can take away the administration burden from moving accounts. The University treasury management policy is aligned to make the most of this service. Dates of any anniversaries of term deposits ended are recorded, so new accounts can be arranged in a timely manner, to ensure you are gaining the best possible return. These accounts are often covered by the Financial Service Compensation Scheme, which gives protection up to a maximum of £85,000 per account with UK based institutions. If protecting funds is of importance, it would be beneficial to hold several accounts to really make the most of what the scheme offers.

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