WFC Investment Policy

2026-27

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Available on:	Website

Waltham Forest College

1. Purpose and Background

The College invests a portion of its long-term financial reserves to sustain financial resilience, support future capital and strategic initiatives, and protect the real value of funds. This policy sets the governance, controls and standards for those long-term investments, in compliance with Managing Public Money (MPM), the College Financial Handbook, and FE audit/regularity expectations. It sits alongside the College's Reserves Policy (which determines why and how much it is to hold) and the Treasury Management Policy (which governs operational cash and short-term deposits).

The College has a duty to ensure its investments remain suitable, appropriately diversified, and aligned with its immediate-, short-, medium- and long-term organisational needs. Professional investment advice should be sought where required to meet this duty, unless a clear and reasonable justification exists for not doing so.

2. Definition of Investment

- Long-term investments: Financial assets held for periods typically exceeding 12 months, with the objective of preserving capital in real terms and generating total return.
- External mandate: Discretionary or advisory management of the College's investments by an FCA-authorised investment manager under a written Investment Management Agreement (IMA).
- Asset classes: Cash/near-cash, investment-grade fixed income, diversified low-volatile multi-asset funds, and other instruments permitted under Section 4.
- Liquidity terms: Daily-priced UCITS (Undertakings for Collective Investment in Transferable Securities) funds are preferred; portfolio must meet liquidity thresholds in Section 4.
- Credit quality: Short-maturity instruments should be high grade (typically AA– or better), with duration managed to limit volatility.

3. Policy Statement

- The College will invest prudently and transparently, ensuring regularity, propriety and value for money.
- The primary objective is capital preservation in real terms and a total return target of CPI + 2% over rolling five-year periods, net of fees.
- The portfolio will be managed with low-to-moderate risk, high liquidity, and strong ESG alignment suitable for a publicly funded FE institution.

- All investments will made in line with college delegated authorities as outlined in the treasury policy.

4. Principles for Investment

4.1 Risk Appetite

- Low-to-moderate overall risk consistent with preserving capital in real terms.
- Expected drawdown tolerance: generally, up to 10–15% in stressed market conditions.
- No leverage and no derivatives for speculation.

4.2 Liquidity

- Maintain ≥10% in cash or near-cash instruments.
- Ensure ≥50% of portfolio is realisable within six months under normal market conditions.
- Prefer daily-priced UCITS funds; avoid lock-ups and redemption penalties.

4.3 Permitted Investments

- Sterling liquidity funds (AAA/AA-rated) and money-market instruments.
- Short-maturity investment-grade bond funds (typical duration 1–3 years).
- Diversified, low-volatile multi-asset UCITS funds (daily priced) with limited equity exposure (<20%) when appropriate.
- UK gilts and very short-dated high-grade sovereign instruments.
- Deposit, notice and short fixed-term accounts with approved counterparties (as governed by the Treasury Policy).

4.4 Prohibited Investments

- Direct equities (unless within a diversified UCITS fund and within risk limits).
- High yield/unrated bonds and distressed debt.
- Derivatives except for hedging within regulated funds.
- Illiquid/unlisted vehicles (e.g., private equity/credit, hedge funds).
- Structured products with embedded leverage or capital-at-risk features.
- Commodities and crypto assets.

4.5 ESG & Ethical Standards

- External managers must integrate ESG into investment decisions and stewardship.

- Avoid exposure to sectors inconsistent with public expectations (e.g., controversial weapons).
- Provide ESG reporting for each quarter, including any engagement activity.
- External managers to ensure compliance with Managing Public Money ESG limitations.

4.6 Diversification Controls

- Avoid over-concentration: no single fund >40% of portfolio.
- Issuer exposure (fixed income) generally ≤5% across the portfolio.
- Maintain diversification by asset class, sector and issuer.

4.7 Performance Objective & Benchmark

Performance assessment will include comparison against:

- Total return objective: CPI + 2% p.a. over rolling five-year periods, net of fees.
- Quarterly and annual reviews against target and appropriate peer comparisons.
- Appropriate market indices aligned to the portfolio's asset allocation; and
- The specific mandate objectives.

Managers must provide clear explanations for any material over or underperformance.

4.8 Procurement & Value for Money

- External managers appointed via open, competitive processes in line with procurement rules.
- Mandates subject to periodic market testing (typically every 3–5 years).
- Full fees and costs disclosed quarterly (ad-valorem, OCFs, transaction costs).

4.9 Breach & Escalation

A breach is any act or omission by an external manager that falls outside the parameters of their agreed mandate, including but not limited to asset allocation limits, duration, credit quality, liquidity and permitted instruments irrespective of whether it leads to a financial impact or not.

All breaches should be reported to the Chair(s) of FRC (Finance and Resources Committee) and ARC (Audit & Risk Committee), with a corrective action plan.

5. Monitoring and Governance

- Quarterly reporting from external managers: performance, risk (volatility, duration, credit), liquidity, ESG, fees, and compliance.
- Deputy CEO to provide quarterly oversight summary to the FRC and an annual assurance report to Corporation.
- Triggers for review: persistent underperformance, deviation from risk/liquidity parameters, ESG non-compliance, fee concerns, or governance issues. The outcome and corrective action plan will be discussed at a bi-annual review meeting with the fund manager with an annual letter confirming investment approach, risk profile and understanding.
- All quarterly reports provided by the investment manager must include a clear, plain language summary of performance, risks, mandate adherence, and any deviations from expected outcomes. Jargon should be avoided to ensure accessibility and transparency for all stakeholders.
- Each quarterly report must include confirmation that the portfolio has been managed in full accordance with the Investment Management Agreement (IMA). Any departure from the mandate must be highlighted with explanation and remedial action where required.

6. Policy Review and Compliance

- This policy will be reviewed every 12 months or earlier if regulatory/strategic changes occur.
- Compliance will be evidenced through quarterly reports, audit/regularity processes, and annual governance statements.
- Each annual review must explicitly confirm that the investment arrangements remain aligned to the College's strategic plans, long term financial needs, and anticipated liquidity requirements.