



Women's Pioneer Housing

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I. Introduction

- I.1 This document sets out the financial investment policy of Women's Pioneer Housing Limited (WPH).
- I.2 The board recognises that the investment policy must be kept under review. It will be reviewed once every three years and more often if changes in the external environment, for example legal, tax or market changes, mean it requires more urgent review.
- I.3 WPH's power of investment is set out in its rules as follows:
- "B2 *The association shall have power to:*
- B2.6 *subject to rule F15, invest the funds of the association;*
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F15 the funds of the association may be invested by the board in such manner as it determines."

- 1.4 This power is wide but must be exercised in accordance with the principles set out below.
- 1.5 This policy only applies to significant investment decisions of WPH and is not intended to prevent the exercise of the delegated authority in WPH's Treasury Policy.
- 1.6 This policy is also distinct from WPH's Treasury Policy which deals with the management and investment of funds in the shorter term. Funds dealt with under the Treasury Policy are those are not yet required for their intended purpose.

2. **Financial investment**

- 2.1 This policy relates to all **financial investment** by WPH. This is investment in a pure sense, as the term might be used by an individual with some spare funds who would like to invest them for a financial return. This type of investment can be referred to as an outlay of funds for the purpose of obtaining a financial return consistent with commercial prudence. This policy does not relate to the investment of funds in the provision of social housing or in furtherance of WPH's objectives. That kind of investment is **programme related investment**.
- 2.2 It is possible for WPH to make **mixed motive investments**. These investments are made on the basis that they have elements of both financial investment and programme related investment. The investment cannot be wholly justified as either one or the other, i.e. it is not made for the highest financial possible return nor is it made for the primary purpose of achieving WPH's charitable objectives. An example of a mixed motive investment would be investment in a social impact bond.

3. **Objectives of financial investment**

- 3.1 WPH's objectives in making any financial investment will be as set out in this paragraph.
 - WPH will invest to achieve a financial return.
 - WPH will, where possible, invest to maximise social return, but also bearing in mind the need for any investment to provide a financial return.
 - When considering whether to carry out pure financial investments or mixed motive investments, WPH will consider the overall return balancing both the financial and social elements of the investment.
 - Financial investments will be chosen with a view to maintaining and if possible enhancing the value of invested funds while they are retained.

- The board will consider the need for diversification when making investments. This will not prevent WPH from investing primarily in group subsidiaries, but it is a factor that the board will consider from time to time.
- If presented with a financial investment opportunity, the board will take appropriate advice.
- The board recognises that it does not support its main activities through the financial return on its financial investments. However, financial investments will be chosen with a view to achieving sufficient financial return to bring real benefits in relation to the activities of WPH, as well as, ideally, other benefits.
- In selecting financial investments, the board will apply a cautious approach to risk. However, although the board recognises that charities must avoid speculation, it does not intend that all financial investments should be low risk. The board accepts that higher risk financial investments may be appropriate when all other factors are considered and that in having regard to the need to diversify financial investments a variety of risk levels will be beneficial.
- In acknowledgement of WPH's status as a registered provider of social housing, and bearing in mind the regulatory requirement to protect social housing assets, the board will not permit financial investment of any type where the proposed investment presents any undue risk to WPH's social housing assets or social housing business.

4. What funds are available to be invested?

- 4.1 As mentioned in paragraph 4.3, it may be appropriate to borrow money in order to make financial investments. However, the board acknowledges that otherwise its financial investment powers generally only extend to the investment of money not immediately required for the furtherance of WPH's objects, in other words its surpluses (i.e. accumulated free reserves) and property. Accumulated free reserves are distinct from cash balances, and are those reserves which are not:
- a. designated reserves,
 - b. restricted reserves,
 - c. pensions reserves, and
 - d. revaluation reserves.
- 4.2 The board will be regularly appraised of the amount of free reserves available for financial investments, to enable board members to make prudent decisions about the type and size of particular financial investments in the context of WPH's portfolio of financial investments.
- 4.3 Notwithstanding the general principle set out in paragraph 4.1, that WPH may only invest out of its accumulated free reserves, the board also notes that, subject to the safeguards set out in this investment policy, on occasions it may be appropriate to

borrow money in order to make financial investments. This may equate to making financial investments which exceed the size of WPH's accounting reserves, because the financial investment is being partly funded through borrowed monies. However, any such financial investment (i.e. investment of borrowed monies) will be subject to very careful analysis and justification. In particular, when considering the return on any such investment, the board will take into account the costs of the borrowing in order to assess whether the financial investment offers an appropriate return and is both prudent and in the best interests of WPH. Any restrictions on lending or on-lending in any of WPH's loan agreements will also need to be considered.

- 4.4 In addition to the funds described above, the board may use land for investment purposes.

5. Charity law

- 5.1 The board recognises that since WPH is a charitable registered society, WPH's board members are deemed by law to be in a position akin to charity trustees. The board members acknowledge that they have duties of care in this regard.

- 5.2 The board therefore regards Charity Commission guidance as helpful to the extent that it represents general principles of charity law, and will have regard to such guidance from time to time.

- 5.3 The Charity Commission has published guidance outlining the principles of investment by charities. In particular, CCI4 – Charities and Investment Matters set out the key principles to be applied. CC35 – Trustees, Trading and Tax is also useful in the particular context of investment in trading subsidiaries.

- 5.4 WPH is an exempt charity, which means that it is not registered with the Charity Commission. However WPH is still a charity, and the basic principles set out in Charity Commission guidance do apply to it. The board will therefore apply those principles in making all investment decisions.

6. Advice, management and review of financial investments

- 6.1 As part of the discharge of the duties on board members when making investments, the board will take advice on all proposed financial investments. This advice may be taken from external advisors or from WPH's staff, as the board sees fit in the circumstances and depending on the nature of the investment. The board will minute any advice taken.

- 6.2 When considering financial investments, the board will consider, amongst other things the likely risk/reward equation (where projections are used, the board will consider carefully how robust they are).

- 6.3 When considering a financial investment opportunity, the board will consider its suitability relative to other possible forms of financial investment.

6.4 Financial investments will be regularly reviewed and arrangements will be amended as and where appropriate.

7. Investing in other parts of the group

7.1 The board acknowledges that WPH may from time to time in accordance with this policy wish to make financial investments in subsidiaries, either by investing capital or by making loans.

7.2 The board recognises that charities should be particularly cautious about making or retaining financial investments in companies which are wholly or substantially owned by the charity, and notes the need for objectivity when making decisions in this area. Investing in a company which is not economically viable and has no real prospects of becoming so will never be in the best interests of WPH.

7.3 The board accordingly recognises that in making such financial investments it should have regard to the principles outlined in this policy, and in the relevant Charity Commission guidance. In particular, the board will consider suitability and diversification issues, and take appropriate advice as necessary.

7.4 More specifically, the board will bear in mind the following principles when making a decision to invest in a trading subsidiary:

- that financial investments in a trading subsidiary should only be made where it is in WPH's best interests to do so,
- that the relevant trading subsidiary's business prospects and financial viability should be objectively assessed, and appropriate advice taken in relation to this assessment,
- that consideration should be given to the length of time that funds may be tied up in the subsidiary,
- that the option of obtaining independent funding for the subsidiary should be considered, and
- that WPH should make arrangements to monitor the performance of the trading subsidiary.

7.5 Board members will be scrupulous in identifying any potential for conflicts of interest when WPH invests in a subsidiary, and must take care that no personal benefit flows to any of WPH's board members as a result of such investment.

8. Tax

8.1 The board will ensure that appropriate tax advice is taken on financial investments so as to fully understand the implications of each investment, and to ensure that no investment increases the tax burden on WPH.

9. Loan Covenants

9.1 The board will ensure that actions taken under this policy comply with loan covenants, taking legal advice where necessary.

10. Decision making

10.1 All investment decisions must be made either by the board, with the board's direct authority, or in accordance with established delegated authorities from it.