

City of Hobart

# Policy

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**Title:** Management and Investment Framework for the Trees for the Future Fund

**Category:** Corporate Governance

**Date Last Adopted:** 22 February 2021

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## 1. Objectives

To provide details of the management framework for discharging the Council's fiduciary duties as trustee of the Trees for the Future Fund ("Fund") and to set out the guiding principles for the investment of the capital of that Fund.

## 2. Background

The Fund was settled to support activities and projects that relate to the conservation or enhancement of the natural environment in the Hobart geographical area, with an emphasis on increasing the number of trees in urban areas ("Purpose"). The Council is the trustee of this Fund and one of two beneficiaries.

As trustee of the Fund, the Council is responsible for determining whether a distribution is made each year, deciding on how to invest the capital held by the Fund, paying any expenditure incurred by the Fund (if any) firstly from the income generated on the capital and secondly from the capital (i.e. where the income is not sufficient to cover the expenditure it will be paid from the capital) and for a number of administrative functions, including, but not limited to, preparing an annual financial report, record keeping and periodically reviewing the performance of investments.

As a beneficiary of the Fund, any distributions of income made to the Council must be used towards planting trees in the Hobart geographical area and any incidental purposes described in the trust deed (including acquiring trees or seedlings to be planted, acquiring consumables such as soil and fertilizer, and labour costs etc.).



### 3. Policy

#### Part A: Management Framework

The Council will implement a management framework for the administration of the Fund that:

- (a) establishes a committee (“Committee”) that is responsible for discharging the Council’s obligations as trustee of the Fund and is comprised of not less than three (3) Council Officers appointed by the General Manager with at least one appointment for each of the following categories of person, being a Council Officer who holds, or partly holds:
  - (i) a legal appointment, or a person with a legal qualification or similar experience;
  - (ii) a financial appointment, or a person with a relevant financial qualification or similar experience; and
  - (iii) an appointment that has operational involvement in the conservation or enhancement of the natural environment in the Hobart geographical area;
- (b) establishes the terms of reference for the Committee in a form that is consistent with the terms of the Fund, including, but not limited to, detailing that the Committee is to be responsible for:
  - (i) investing the capital of the Fund in accordance with the investment principles set out in Part B below;
  - (ii) determining whether a distribution of the income generated on the investment of the capital is made or if this amount is to be accumulated for distribution at a later date. This decision is to take into consideration the operational needs and strategic plans of the beneficiary, or beneficiaries, responsible for delivering the works that further the Purpose of the Fund;
  - (iii) paying the expenses incurred by the Fund (if any);
  - (iv) managing the records of the Fund; and
  - (v) arranging for the preparation of a publically available annual financial report that provides a summary of:
    - A. the main operations and projects conducted by the Fund during that period;
    - B. the total net income of the Fund during that period;

- C. the total capital of the Fund at the conclusion of the period; and
  - D. the distributions made from the Fund during that period;
- (c) requires the Committee to:
- (i) prepare a meeting schedule, with not less than one meeting to occur in any given financial year;
  - (ii) provide a report to the General Manager on the administration of the Fund not less than once per annum and more often as requested; and
  - (iii) prepare an investment strategy that is guided by the investment principles below in Part B and the terms of the trust deed; and
- (d) engages the General Manager to act as the Appointor of the Fund.

### **Part B: Investment Principles**

The Committee is to:

- (a) invest the capital of the Fund with an aim to maximise returns through low-cost investments;
- (b) prepare an investment strategy for the investment of the capital of the fund that includes the following guiding principles
  - (i) keeping costs relating to Fund investments (including acquisition costs, and costs of advice and investment management) as low as reasonably possible;
  - (ii) avoiding unnecessarily frequent changes to investments;
  - (iii) to the extent appropriate, taking a long term view of investments and investment performance;
  - (iv) to the extent possible, invest for both capital growth and an income return that exceeds inflation over time; and
  - (v) the importance of generating income for distribution to the beneficiaries
- (c) when existing investments are proposed to be changed, review the performance of the existing investments that are to be disposed of and the performance of any new investments that are to form part of the Fund;

- (d) (in deciding on how to invest the capital) consider whether it is appropriate to obtain independent and impartial advice for the investment of the capital and pay out of the Fund the reasonable costs of obtaining that advice; and
- (e) ensure that the cost of any investment manager in any financial year does not exceed an amount equal to one percent (1%) of the capital of the Fund at the commencement of that financial year.

## 4. Legislation, Terminology and References

- Trees for the Future Fund Trust Deed; and
- Local Government Act 1993 (Tas).

<b>Responsible Officer:</b>	General Manager
<b>Policy first adopted by the Council:</b>	22/02/2021
<b>History</b>	
Amended by Council	Not applicable
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