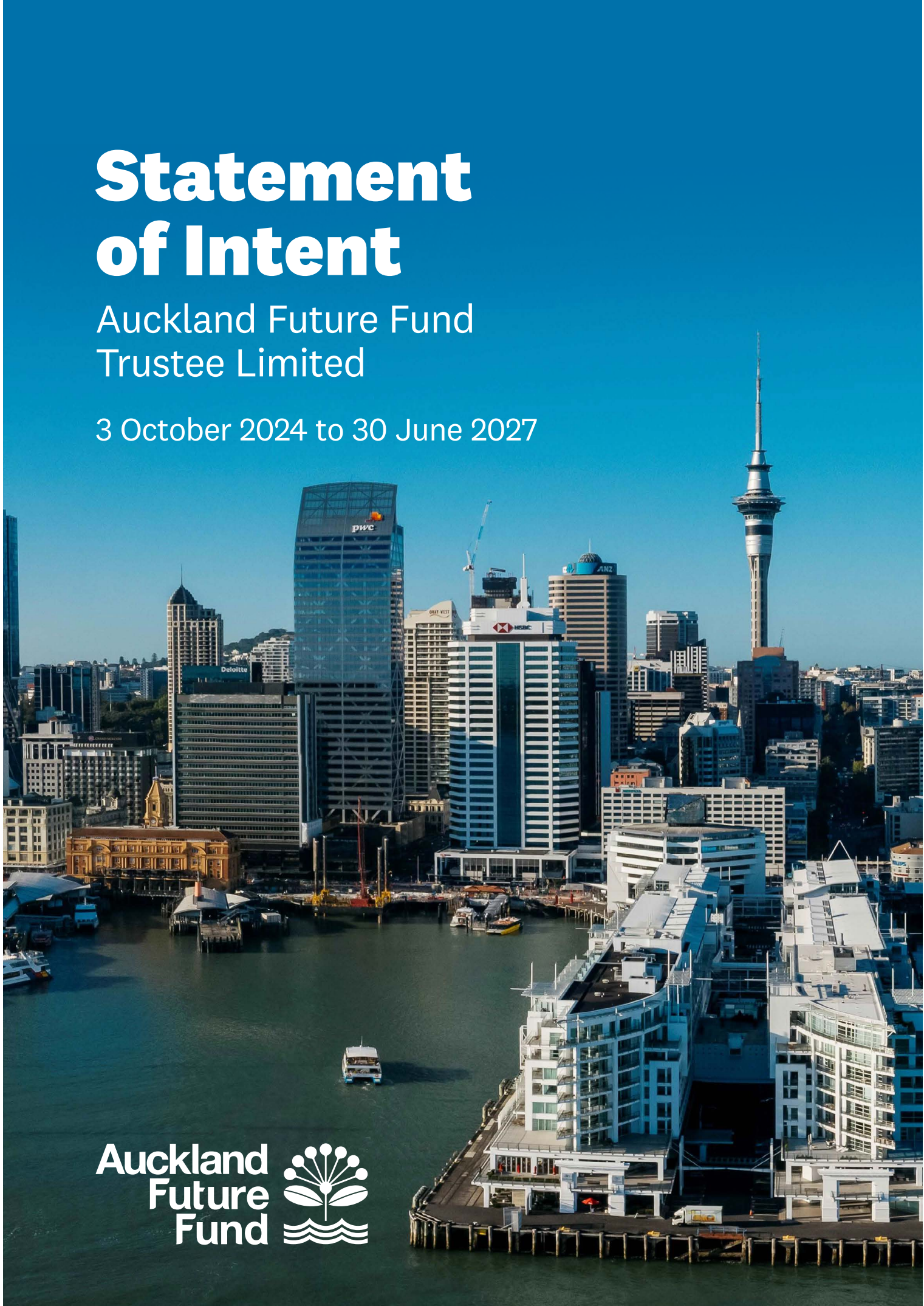


Statement of Intent

Auckland Future Fund
Trustee Limited

3 October 2024 to 30 June 2027

Auckland
Future
Fund



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Message from the Chair of the Board

It is an honour to write to you as the inaugural chair of The Auckland Future Fund (AFF), an investment trust created for the long-term benefit of all Aucklanders and future generations who will reside in our dynamic city.

The Auckland Future Fund Trustee Limited (AFFTL) is the official name of the newly formed Council-Controlled Organisation (CCO) which will manage AFF.

AFF is intended to be a long-term investment fund for the benefit of current and future communities of Auckland, with the following purposes as set out in the Trust Deed:

- To maintain or increase the real value of assets that are put into the Fund over time so they can continue to benefit future generations; and,
- To provide a strong return to Auckland Council to fund services and infrastructure.

AFF has been established to directly contribute to three core goals of the Council's long-term financial strategy:

- Increase Auckland's financial and physical resilience;
- Ensure basic infrastructure and services can continue to be delivered affordably; and,
- Increase trust and confidence that the Council delivers value for current and future residents.

As Directors of AFFTL, our initial focus will be on establishing the Auckland Future Fund, ensuring robust policies and processes are implemented, and appropriately investing funds created through the sale of Auckland International Airport shares. This will enable the diversification of the Council's assets for the long-term benefit of all Aucklanders.

The Board's core responsibilities are to:

- develop and negotiate Statements of Intent with the Council;
- act consistently within the guidelines provided in the Statement of Expectations;
- actively review and direct the overall strategy, policies and delegations of AFFTL;
- obtain complete and timely information necessary to discharge its obligations;
- identify, evaluate and mitigate controllable risk factors;
- manage and monitor the Fund's performance; and,
- report to the Council on the performance of the CCO.

With the AFFTL established during the financial year, this initial Statement of Intent does not cover a full year but the period from its establishment to 30 June 2025.

While the Council has set clear and quantified expectations through the Auckland Future Fund Distribution Policy for our first two and a half years, we will seek to present updated projections for subsequent years to the Council.

During this initial phase, we will also seek to build strong relationships with our Lead Councillor, the Mayor, and other elected members and engage with Houkura (Independent Māori Statutory Board) to identify how AFFTL can support positive outcomes for Māori.

Christopher Swasbrook

Chair

Auckland Future Fund Trustee Limited

Part 1: Strategic overview

1.1 Purpose and Functions

As part of the Long-term Plan 2024-2034, Auckland Council (Council) decided to establish a long-term investment fund, to be called the Auckland Future Fund (the Fund), to improve the Council’s financial and physical resilience.

The Fund is held in trust by the Auckland Future Fund Trustee pursuant to a Deed of Trust. The initial Trustee will be the Auckland Future Fund Trustee Limited, a company incorporated under the Companies Act 1993.

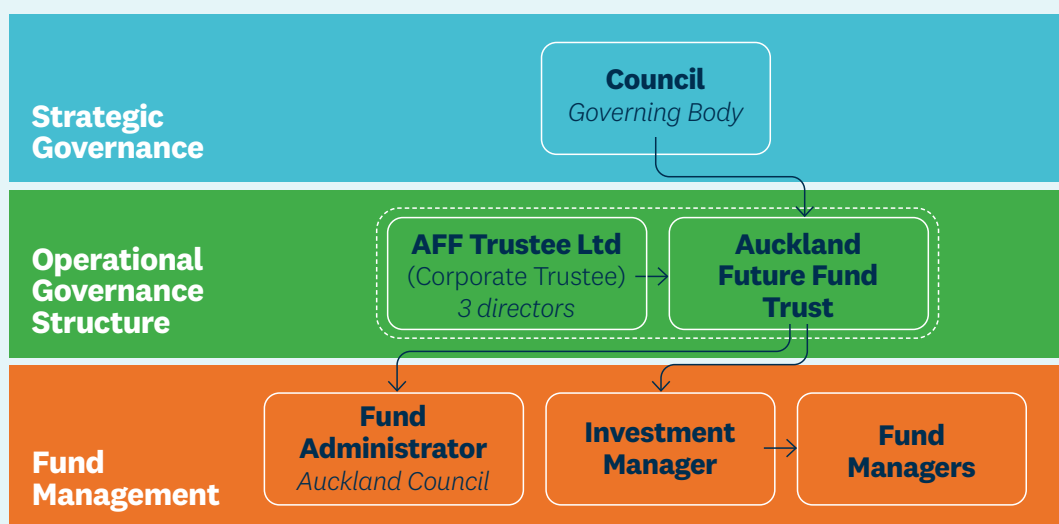
The role of AFFTL is to advance and achieve the purposes of the Auckland Future Fund, which are set out in the Trust Deed as follows:

- To maintain or increase the real value of assets that are put into the Fund over time so they can continue to benefit future generations; and,
- To provide a strong return to Auckland Council to fund services and infrastructure.

1.2 Auckland Future Fund Structure

The structure of AFF is shown in the following diagram, with the key components being:

- **Strategic Governance** – Auckland Council sets the strategic direction.
- **Operational Governance** – Auckland Future Fund Trustee Limited is the Trustee of the Auckland Future Fund Trust that has stewardship of the Fund.
- **Management** – The Trust is supported by a Fund Administrator under a services agreement with Auckland Council. The Trust Directors are charged with sourcing professional/independent managers for the Trust’s assets.



AFFTL is a substantive CCO of Auckland Council.

The Fund will be initially capitalised with the Council’s shareholding in Auckland International Airport Limited (AIAL), and the Council will work to identify opportunities to make further capital contributions to the Fund.

Trust decisions will be made independently by the Trustee in accordance with the governing documents of the Fund, which include:

- The Auckland Future Fund Trust Deed
- The Auckland Future Fund Policy
- The Auckland Future Fund Distribution Policy
- The Responsible Investment Policy.

All investment and transactional decisions of the Fund shall be made by the Trustee in accordance with the Trust Deed, Trusts Act 2019, and governing documents.

Auckland Council will not direct the Trustee through any other channel as to the investments or activities of the Fund, including any related party transactions or investments.

1.3 Objectives, nature and scope of activities – ‘what we do’

Unlike the other CCOs of Auckland Council, AFFTL does not directly provide services to Aucklanders beyond the protection of the value of the long-term assets with which it has been entrusted.

AFFTL is an enabler of services by providing strong returns to the Council that can be used to fund services and infrastructure, reducing the Council’s requirement to rate. It achieves this by being responsible for the stewardship of the Fund, including overseeing its investments and distributions to the Council.

By its nature, AFFTL has a long-term focus on protecting the real value of the Fund over time and managing the shorter-term variations that are inherent in the financial markets.

| Purpose | Objectives | Activities | Performance Measures |
|---|---|---|---|
| <ul style="list-style-type: none"> • To maintain or increase the real value of assets that are put into the Fund over time so they can continue to benefit future generations; and, • To provide a strong return to Auckland Council to fund services and infrastructure. | <ul style="list-style-type: none"> • Increase Auckland's financial and physical resilience; • Ensure basic infrastructure and services can continue to be delivered affordably; • Increase trust and confidence that the Council delivers value for current and future residents; and, • Effective stewardship of the Auckland Future Fund. | <ul style="list-style-type: none"> • Monitoring the independent Investment Managers appointed to invest the Fund's assets; • Ensuring compliance with the Responsible Investing Policy and other reporting requirements; and, • Making distributions to the Council in accordance with the Auckland Future Fund Distribution Policy. | <ul style="list-style-type: none"> • Real Growth of the Fund • Gross Return on Fund • Net Return on Fund; and • Distribution to the Council |







Potential additional responsibilities

AFFTL acknowledges that there is potential for the Council as shareholder to request that it undertake additional responsibilities, under the existing AFF Trust or by an additional mandate to AFFTL. This would need to be agreed with the Council. AFFTL would expect to be empowered and resourced to manage any additional responsibilities to best achieve the Council’s commercial and other objectives. The AFFTL board commits to constructively engaging with the Council on any potential additional responsibilities.

1.4 Response to the Council’s strategic objectives and outcomes

The Auckland Plan 2050 is Auckland Council’s vision for a world-class city. It is the long-term spatial plan for Tāmaki Makaurau Auckland, which sets the strategic direction for the region and is underpinned by a set of six outcomes to achieve this vision.

As already noted, AFFTL is not a direct service provider; however, this does not mean that it doesn’t contribute indirectly to the strategic outcomes of the Council as noted below:

| Outcome | How we will contribute |
|---|---|
|  Belonging and participation | <p>As a trustee of substantial funds AFFTL contributes indirectly to all six outcomes.</p> <p>It focuses on maximising its contribution to Auckland by providing strong returns and protecting the real value of the Fund.</p> <p>Distributions from the Fund will drive outcomes for the Council.</p> <p>More specifically, the AFFTL looks to create the conditions for a more financially resilient Auckland.</p> |
|  Māori identity and wellbeing | |
|  Homes and places | |
|  Transport and access | |
|  Environment & cultural heritage | |
|  Opportunity and prosperity | |

Contributions to the Council’s Strategies

Auckland Council Financial Strategy

AFFTL also directly contributes to the first three of the identified four near-term goals of the Council’s financial strategy:

- Increase Auckland’s financial and physical resilience;
- Ensure basic infrastructure and services can continue to be delivered affordably;
- Increase trust and confidence that we are delivering value for current and future residents; and,
- A new approach to partnering with central government to provide regional leadership and deliver better outcomes for Aucklanders.

The financial markets in which AFF will invest impacts its ability to deliver on the Council's outcomes and goals. By taking a long-term perspective and diversifying its investments, AFF will seek to manage risks.

Achieving Māori Outcomes

A thriving Māori identity and Māori wellbeing outcome of the Auckland Plan 2050 highlights in Tāmaki Makaurau is our point of difference. Kia Ora Tamaki Makaurau – Māori Outcomes Framework identifies how the Council group contributes towards this thriving Māori identity and other outcomes.

AFFTL will work on developing an Achieving Māori Outcomes plan and reporting that is appropriate for the organisation, reflecting its scope and the nature of its activities. This will include consideration for how AFFTL aligns with the Māori Outcomes strategic direction for the Council group, gives effect to He Waka Kōtuia audit recommendations and engages with Māori (mana whenua, mātaawaka, and Māori entities).

Due to the nature of its activities, the AFFTL might not contribute to these outcomes; however, by managing risk and providing strong returns to the Council, it enables the achievement of these outcomes across the group.

Local Boards

The investment and distribution activities of AFFTL are not a local activity and so do not require engagement with local boards when making decisions. Distributions to the Council will be used to fund a range of activities, potentially including local activities decided by the Council through its planning.

Climate Change

AFFTL will be guided by the Responsible Investment Policy which incorporates climate change considerations.

1.5 About us – statement of the board’s approach to governance

Auckland Future Fund Trustee Limited (AFFTL) is the corporate trustee of the Auckland Future Fund Trust. Its Board consists of three directors (appointed by the Council) and meets regularly.

AFFTL will act in accordance with Auckland Council expectations as outlined within the CCO Accountability Policy and other key policies, along with its statutory obligations under the Companies Act 1993 and the Trusts Act 2019.

The Board’s core responsibilities are to:

- develop and negotiate Statements of Intent with the Council;
- act consistently within the guidelines provided in the Statement of Expectations;
- actively review and direct the overall strategy, policies and delegations of AFF;
- obtain full and timely information necessary to discharge its obligations;
- identify, evaluate and mitigate controllable risk factors;
- manage and monitor the Fund’s performance; and,
- report to the Council on the performance of the CCO.



To enable the AFFTL to carry out its role the Trustee through the Trust Deed generally has the widest possible powers, as if it were the absolute owner of, and beneficiary entitled to, the Fund.

Managing risk is a key component of the AFFTL’s role and so it will utilise independent and reliable advice on key assumptions and forecasts upon which it makes its decisions.

Fund Administrator Services Agreement

To support the Board in undertaking its activities AFFTL will utilise the services of the Council through a Services Agreement. Through this agreement AFFTL will not need to employ staff and can leverage off the scale and skills of the Council.

Houkura / Independent Māori Statutory Board

AFFTL is committed to working alongside the Council and Houkura / Independent Māori Statutory Board where applicable to meet the requirements of the tri-annual Treaty of Waitangi Audit and Houkura’s Schedule of Issue of Significance to Māori.

Climate Related Disclosures reporting

AFFTL has no statutory requirement to prepare climate reporting in its own right. However, as a Council group entity, AFFTL will participate in the Council's group reporting processes and provide the Council with information, including, if necessary, information obtained from AFF's fund managers, to enable the Council to meet its reporting requirements as a climate reporting entity, complying with the New Zealand External Reporting Board's Aotearoa New Zealand Climate Standards. This includes disclosing against the areas of governance, strategy, risk management and metrics and targets, and working to meet Auckland Council's work programme requirements as a result of the reporting standards.

Meetings

Auckland Council CCOs are required to hold two public meetings a year (Local Government (Auckland Council) Act 2009). The first of these meetings is to consider prior year performance against Statement of Intent targets, which will not be applicable for this first year as the Fund has just been established. The second is to consider shareholder comments on the draft Statement of Intent for the 2025/26 year.



| Purpose of Public Meeting | Date | Form of Public Notification |
|---|------------------|---|
| Consider shareholder comments on draft SOI for 2025-2028 | TBD (June) | Board meetings will be advertised on AFFTL's website and through the public notices section of the New Zealand Herald normally five days prior to the meeting date. |
| Consider prior year performance against SOI targets (not applicable for first year) | TBD (October) | |

Members of the public are welcome to attend the two statutory meetings (as outlined in the table above).

Part 2: Statement of performance expectations

This section sets out AFFTL's performance expectations. As AFFTL does not deliver capital projects or services directly to Aucklanders, its expectations are focused on achieving the purposes of the Fund.

2.1 Response to the Council's annual letter of expectation

Although there is no Letter of Expectation for this initial SOI, substantial guidance has been provided to AFFTL through Council resolutions and AFF-related policies. In future years, Letters of Expectation from the Council, will outline goals and components that the Council expects to see in the AFFTL's Statement of Intent and subsequent performance.

2.2 How we will deliver – the annual work programme

AFFTL (through the Fund) is tasked with delivering strong returns while protecting the real value of the Fund for future generations. It will achieve this by appointing independent investment managers. The expected returns are outlined in the performance measures section below.

Promptly in its first term, the AFFTL will produce a key policy:

| Policy | Description |
|--|--|
| Statement of Investment and Policy Objectives (SIPO) | <i>Policy that sets out the investment governance and management framework, philosophy, strategies and objectives of the Fund.</i> |

On an ongoing basis the AFFTL will also provide input to additional policies:

| Document | Description |
|--|---|
| Responsible Investment Policy | <i>Policy that sets out the principles and guidelines for responsible investment, including environmental, social and governance ESG), climate change considerations, and stated exclusions</i> |
| Auckland Future Fund Distribution Policy | <i>Policy that sets out the rules for distributions to the Council, which will need to be reviewed and updated regarding key assumptions around expected returns, operating costs, retention rates, and distributions</i> |

2.3 How we will assess performance – performance measures and targets

The four objectives of the Fund (see diagram on page 4) can be summarised into two overarching objectives that link to the purposes of the Fund: Strong returns; and Protect the real value of the Fund.

The performance measures and applicable targets, which are subject to audit, for the first three years related to these two overarching objectives are detailed below:

| Objective | Performance Measure | 2023/24 Actual Targets | | | |
|------------------------------------|-------------------------|------------------------|---------|---------|-------|
| | | 2024/25 | 2025/26 | 2026/27 | |
| Strong returns | Gross Return on Fund | N/A | 7.64%* | 7.64% | 7.64% |
| | Net Return on Fund | N/A | 7.24%* | 7.24% | 7.24% |
| | Distribution to Council | N/A | 5.24%* | 5.24% | 5.24% |
| Protect the real value of the Fund | Real Growth of Fund | N/A | 2.00%* | 2.00% | 2.00% |

* For the first year these annual targets will be prorated for the portion of the year that AFFTL was operating

2.4 Financials

The following financial statements for AFFTL are based on the 2024/25 to 2026/27 budgets for the financial years ending 30 June included in the adopted 2024-2034 Long-term plan (LTP). These statements are based on the assumptions noted within the Long-term plan, including initial fund balance, timing of establishment, and expected returns.



Prospective Statement of Comprehensive Revenue & Expense

| \$ million | LTP 2024/25 | LTP 2025/26 | LTP 2026/27 |
|--|----------------|----------------|----------------|
| Revenue | | | |
| Dividend revenue | 36.32 | 73.36 | 74.83 |
| Total revenue | 36.32 | 73.36 | 74.83 |
| Expenditure | | | |
| Management fee | 2.58 | 5.2 | 5.3 |
| Total expenditure | 2.58 | 5.2 | 5.3 |
| Operating surplus before tax | 33.74 | 68.16 | 69.53 |
| <i>Operating surplus after tax attributable to:</i> | | | |
| AFF Trust | 33.74 | 68.16 | 69.53 |
| Other comprehensive income | | | |
| Gain on revaluation of financial assets held at fair value through other comprehensive revenue and expenditure | 12.88 | 26.02 | 26.54 |
| Total other comprehensive income after tax | 12.88 | 26.02 | 26.54 |
| Total comprehensive income after tax | 46.62 | 94.18 | 96.07 |

Prospective Statement of Financial Position

| \$ million | LTP 2024/25 | LTP 2025/26 | LTP 2026/27 |
|--------------------------|----------------|----------------|----------------|
| ASSETS | | | |
| Bank | 2.58 | 5.2 | 5.3 |
| Other financial assets | 1300.83 | 1326.85 | 1353.39 |
| Total assets | 1303.41 | 1332.05 | 1358.69 |
| LIABILITIES | | | |
| Accounts payable | 2.58 | 5.2 | 5.3 |
| Total liabilities | 2.58 | 5.2 | 5.3 |
| Net assets | 1300.83 | 1326.85 | 1353.39 |
| Contributed Equity | 1287.95 | 1287.95 | 1287.95 |
| Retained earnings | 0 | 0 | 0 |
| Revaluation reserve | 12.88 | 38.9 | 65.44 |
| Total equity | 1300.83 | 1326.85 | 1353.39 |

Prospective Statement of Changes in Equity

| \$ million | LTP 2024/25 | LTP 2025/26 | LTP 2026/27 |
|---|----------------|----------------|----------------|
| Opening balance 1 July | 0 | 1300.83 | 1326.85 |
| Total comprehensive revenue and expenses for the year | 46.62 | 94.18 | 96.07 |
| Owner transactions | | | |
| Contributed equity | 1287.95 | 0 | 0 |
| Distribution to AFF Trust | -33.74 | -68.16 | -69.53 |
| Closing balance as at 30 June | 1300.83 | 1326.85 | 1353.39 |

Prospective Statement of Cashflows

| \$ million | LTP 2024/25 | LTP 2025/26 | LTP 2026/27 |
|---|----------------|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Dividends and interest received | 36.32 | 73.36 | 74.83 |
| Management fees paid | 0 | -2.58 | -5.2 |
| Net cash from operating activities | 36.32 | 70.78 | 69.63 |
| Net cash from investing activities | 0 | 0 | 0 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Distributions paid | -33.74 | -68.16 | -69.53 |
| Net cash from financing activities | -33.74 | -68.16 | -69.53 |
| Net increase/(decrease) in cash | 2.58 | 2.62 | 0.1 |
| Opening cash balance | 0 | 2.58 | 5.2 |
| Closing cash balance | 2.58 | 5.2 | 5.3 |

2.5 Major accounting policies of the group

Auckland Council (the Council) is a local authority domiciled in New Zealand and governed by the following legislation:

- Local Government Act 2002 (LGA 2002);
- Local Government (Auckland Council) Act 2009 (LGACA 2009); and
- Local Government (Rating) Act 2002.

The Council is an FMC Reporting Entity under the Financial Markets Conduct Act 2013 (FMCA 2013).

AFFTL (whether acting in its capacity as trustee of the Auckland Future Fund Trust or otherwise) is not a reporting entity under the FMCA.

The Council's principal address is 135 Albert Street, Auckland Central, New Zealand.

The Auckland Council Group (the group) consists of the Council, its subsidiaries,



associates, and joint ventures. All entities are domiciled in New Zealand. Significant Council-controlled organisations and subsidiaries comprise:

- Auckland Transport
- Eke Panuku Development Auckland Limited
- Port of Auckland Limited
- Tātaki Auckland Unlimited Limited
- Tātaki Auckland Unlimited Trust
- Watercare Services Limited
- Auckland Future Fund Trust
- Auckland Future Fund Trustee Limited

The primary objective of the group is to provide services and facilities to the Auckland community for social benefit rather than to make a financial return. Accordingly, the group has designated itself as a public benefit entity (PBE) and applies New Zealand Tier 1 PBE Accounting Standards. These standards are based on International Public Sector Accounting Standards (IPSAS), with amendments for the New Zealand environment.

Basis of preparation

The prospective financial statements are presented in New Zealand dollars (NZD), which is the functional currency of each of the group's entities and are rounded to the nearest million dollars unless otherwise stated. All items in the prospective financial statements are stated exclusive of Goods and Services Tax (GST), except for receivables and payables which include GST.

The prospective financial statements have been prepared on a going concern basis and the accounting policies applied are consistent with those used for the year ended 30 June 2023.

Implementation of amended accounting standards by the group

2022 Omnibus Amendments to PBE Standards, issued June 2022

The 2022 Omnibus Amendments include several general updates and amendments to several Tier 1 and Tier 2 PBE accounting standards. The revised PBE standards are effective from the year ending 30 June 2024. The group has adopted the revised PBE standards, and the adoption did not result in a significant impact on the group financial statements.

Standard issued but not yet effective

The group will adopt the following accounting standard in the reporting period after the effective date.

PBE IFRS 17 *Insurance Contracts*

PBE IFRS 17 *Insurance Contracts* for public sector entities was issued in June 2023. This standard establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts. It is effective for reporting periods beginning on or after 1 January 2026 with early adoption permitted. The group has not assessed the effect of the new standard in detail.

Disclosure of Fees for Audit Firms' Services – (Amendments to PBE IPSAS 1)

Disclosure of Fees for Audit Firms' Services (the amending Standard) was issued in May 2023. This amending standard updates the required disclosures for fees relating to services provided by the entity's audit or review firm. The fees must be disaggregated into specified categories and there is guidance to assist entities in determining the types of services to include in each category. This amending standard is effective for reporting periods beginning on or after 1 January 2024 with early adoption permitted. The amendment is not expected to have any significant impact on the group's financial statements.

Significant accounting policies

Accounting policies that are considered critical to the portrayal of the group's financial condition and results, and contain judgements, estimates and assumptions about matters that are inherently uncertain have been included in the notes to these interim financial statements. These accounting policies are consistent with those applied in the comparative information.

Derivative financial instruments

The group may use derivative financial instruments, such as forward foreign currency contracts and interest rate swaps, to mitigate risks associated with foreign currency and interest rate fluctuations. The group does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Any gains or losses arising from changes in the fair value of derivatives are taken directly to surplus or deficit.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Derivative assets and derivative liabilities are classified as current when the maturity is 12 months or less from balance date or non-current when the maturity is more than 12 months from balance date

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities are recognised in the Statement of Comprehensive Revenue and Expense.

Current and deferred income tax

Income tax expense comprises both current tax and deferred tax and is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by balance date. Income tax expense is charged or credited to the surplus or deficit in the Statement of Comprehensive Revenue and Expense, except when it relates to items charged or credited directly to equity or other comprehensive income.

Current tax is the amount of income tax payable based on the taxable surplus for the current period, plus any adjustments to income tax payable in respect of prior periods.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable surplus.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which AFFTL expect to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable surplus will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting surplus nor taxable surplus.

Cash and cash equivalents

Cash and cash equivalents are made up of cash on hand, on-demand deposits and other short-term highly liquid investments and are net of bank overdraft. The carrying value of cash on hand, on demand bank deposits and short-term deposits with original maturities of less than three months approximates the fair value



Financial assets and liabilities

For the purpose of measurement, the group's financial assets and liabilities are classified into categories according to the purpose for which the financial assets and liabilities are held.

Management determines the classification of financial assets and liabilities and recognises these at fair value at initial recognition. Subsequent measurement and the treatment of gains and losses are presented below:

| Categories | Subsequent measurement | Treatment of gains and losses |
|--|--|---|
| Fair value through surplus or deficit | Fair value | Surplus or deficit |
| Fair value through other comprehensive revenue and expenditure | Fair value | Other comprehensive revenue and expenditure |
| Financial assets at amortised cost | Amortised cost less provision for impairment | Surplus or deficit |
| Financial liabilities at amortised cost | Amortised cost | Surplus or deficit |

Derivatives are, by their nature, categorised as fair value through surplus or deficit unless they are designated into a hedge relationship for which hedge accounting is applied.

The fair values for financial assets and financial liabilities at amortised cost have been calculated as the net present value of future cashflows using discount rates from appropriate interest rate curves. The valuation for foreign debt instruments is based on market data from Bloomberg.

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when offset is legally enforceable and there is an intention to settle on a net basis. Revenue and expenses arising as a result of financial instrument earnings or fair value adjustments are recognised on a net-basis for like items.

Financial risk management

The group's core policies relating to financial risk are contained in the Treasury Management Policy (TMP). The TMP meets the requirements of the LGA 2002 and sets out the group's policies on how it will manage its key financial risks including risks associated with borrowing, interest rates, foreign exchange, counterparty credit, liquidity and investment.

Any changes to the TMP require the approval of the Governing Body. More detailed treasury policies are contained in the Treasury Operating Manual which must be consistent with the TMP and is approved by the Treasury Management Steering Group.

The significant financial risks to the group and the Council are set out below. Within each sub-section, a definition and explanation of the risk is detailed (risk definition), and then an explanation of how the Council manages each financial risk (risk management).

The following are the financial risks that are significant to the group and the Council:

- Interest rate risk
- Climate risk
- Credit risk
- Foreign exchange risk
- Liquidity risk



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