

Nadur Local Council

**Annual Report
and
Financial Statements**

1 January – 31 December 2022

**Prepared by:
M. Camilleri**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2022**

<i>CONTENTS</i>	<i>PAGES</i>
Statement of Local Council Members' and Executive Secretary's responsibilities	3
Statement of financial position	4
Statement of comprehensive income	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8 - 21
Independent auditors' report	22 - 25

Financial Statements for the year ended 31 December 2022

Statement of Local Council Members' and Executive Secretary's Responsibilities


The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's Statement of Comprehensive Income for the year and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, and the Local Councils (Financial) Procedures issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, the Local Councils (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Council and signed on its behalf on the 26th April 2023 by:



Edward Said
Mayor



Sue Ellen Bugeja
Executive Secretary

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	31 December 2022 €	31 December 2021 €
ASSETS			
Non-current assets			
Property, plant and equipment	3	<u>405,868</u>	<u>495,202</u>
		<u>405,868</u>	<u>495,202</u>
Current Assets			
Receivables	4	<u>237,095</u>	<u>59,214</u>
Cash and Cash Equivalents	5	<u>527,531</u>	<u>474,858</u>
		<u>764,626</u>	<u>534,072</u>
Total Assets		<u><u>1,170,494</u></u>	<u><u>1,029,274</u></u>
RESERVES AND LIABILITIES			
Reserves			
Retained Fund		385,072	469,175
Non-current liabilities			
Long term borrowings	6	-	2,063
Deferred income grants	7	124,338	316,122
Current liabilities			
Payables	8	661,084	237,789
Deferred income grants	7	-	4,125
Total reserves and liabilities		<u><u>1,170,494</u></u>	<u><u>1,029,274</u></u>

The notes on pages 8 to 21 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on the 26th April and signed on its behalf by:


Edward Said
Mayor


Sue Ellen Bugeja
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	2022 €	2021 €
REVENUE			
Funds received from central government	9	624,408	550,575
Funds raised under Local Enforcement System	10	2,273	3,588
General Income	11	<u>87,064</u>	<u>60,842</u>
		<u>713,745</u>	<u>615,005</u>
EXPENDITURE			
Personal emoluments	12	(142,955)	(128,317)
Operations and maintenance	13	(273,766)	(229,929)
Administration and other expenditure	14	<u>(380,822)</u>	<u>(260,705)</u>
		<u>(797,543)</u>	<u>(618,951)</u>
Operating Loss for the year		(83,798)	(3,946)
Finance cost	15	<u>(305)</u>	<u>(653)</u>
Total Comprehensive Loss for the year		<u>(84,103)</u>	<u>(4,599)</u>

The notes on pages 8 to 21 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Retained Earnings 2022 €	Retained Earnings 2021 €
At 1 January	469,175	473,774
Total Comprehensive Loss for the year	(84,103)	(4,599)
	<hr/>	<hr/>
At 31 December	385,072	469,175

The notes on pages 8 to 21 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS
 Year ended 31 December 2022

	Note	2022 €	2021 €
Cash Flows from Operating Activities			
Total Comprehensive Loss for the year		(84,103)	(4,599)
Adjustments for:			
Depreciation		126,078	139,877
Interest Payable		305	653
Operating Surplus before Working Capital Changes		<u>42,280</u>	<u>135,931</u>
(Increase) / Decrease in Receivables		(12,813)	64,290
Decrease in Payables		<u>(5,607)</u>	<u>(177,795)</u>
Net Cash generated from Operating Activities		<u>23,860</u>	<u>22,426</u>
Cash flows from Investing Activities			
Purchase of property, plant and equipment		(51,328)	(45,003)
New grants received		<u>124,162</u>	<u>35,120</u>
Net Cash generated from / (used in) Investing Activities		<u>72,834</u>	<u>(9,883)</u>
Cash flows from Financing Activities			
Interest Paid		(305)	(653)
Movement in bank loan		<u>(9,162)</u>	<u>(8,800)</u>
Net Cash used in Financing Activities		<u>(9,467)</u>	<u>(9,453)</u>
Net Increase in Cash and Cash Equivalents		87,227	3,090
Cash and Cash Equivalents at the Beginning of Year		406,168	403,078
Cash and Cash Equivalents at the End of Year	5	<u>493,395</u>	<u>406,168</u>

The notes on pages 8 to 21 are an integral part of the financial statements.

Notes to the Financial Statements for the year ended 31 December 2022

1. General Information

Nadur Local Council is the local Authority of Nadur setup in accordance with the Local Council's Act. The office of the Local Council is situated at North Street, Nadur NDR1222, Gozo. The Local Council's presentation as well as functional currency is denominated in €.

2. Accounting Policies and Reporting Procedures

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Accounting convention

These financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap 363).

The financial statements are prepared under the historical cost convention as modified to include fair values stated in the accounting policies below. These Financial Statements are prepared in accordance to the requirements of International Financial Reporting Standards as adopted by the EU and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

b. Standards, amendments and interpretations to existing standards

New and amended standards adopted by the council

In the current year, the Local Council has adopted a number of new standards and amendments to IFRSs issued by the International Accounting Standards Boards (IASB) that were mandatorily effective for an accounting period that begins on or after 1 January 2022. None of the new standards, changes to IFRSs and interpretations has had a material impact on the Council's financial statements.

Standards, amendments and interpretations to existing standards that are not yet adopted

A number of new International Financial Reporting Standards and amendments and revisions thereto were in issue but not yet adopted by the EU during the financial period under review and were not yet effective.

The Councillors and Executive Secretary are assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Council anticipates that the adoption of the International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

c. Revenue recognition

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs and it can be measured reliably. Interest income is recognised in the statement of comprehensive income as it accrues.

Income from central government is not recognised until there is reasonable assurance that the Council will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross and any deductions made therefrom are to be disclosed separately with expenses.

Notes to the Financial Statements for the year ended 31 December 2022 – continued

d. Local Enforcement System

The amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is chargeable to the various Regional Committees and the Law Enforcement System Agency for contraventions paid at the Council.

e. Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss to date. Non-current assets are depreciated using the straight line method of depreciation, on a monthly basis.

The depreciation rates used for the calculation of the depreciation using the straight line method were as follows:

	%
Land	0
Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	replacement basis
Playground furniture	100
Road and traffic Signs	replacement basis
Street Mirrors	replacement basis
Street Lights	100

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each financial reporting date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

f. Government Grants

Government grants relating to the purchase of PPE are accounted for using the Capital Approach. Under the Capital Approach, government grants are deducted directly against the cost of the non-current asset to which they relate. The grant under this approach is recognised as income over the life of a depreciable asset by way of a reduced depreciation charge.

Government grants relating to operating expenditure are recognised in the statement of comprehensive income in the same period that the related expenditures is incurred.

Notes to the Financial Statements for the year ended 31 December 2022 – continued

g. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Comprehensive Income.

h. Amounts Receivable

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amounts of the asset in the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Comprehensive Income.

i. Foreign Currencies

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Local Council operates. These Financial Statements are presented in Euro, which is the Council's functional and presentation currency.

Transactions denominated in foreign currencies are translated at the exchange rates ruling at the date of the transaction.

j. Surplus and Deficits

Only surpluses that were realised at the date of the Statement of Financial Position are recognised in these Financial Statements. All foreseeable liabilities and potential deficits arising up to the said date are accounted for even if they become apparent between the said date and the date on which the Financial Statements are approved.

k. Cash and Equivalents

Cash and Cash Equivalents are carried in the Statement of Financial Position at face value. For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash in hand and balances held with banks.

l. Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24.

During the year under review, the Local Council's related party that exercised a significant control was the Department for Local Government. The parties that exercised no control were the Water Services Corporation and the Planning Authority whereas there was joint control with the Gozo Joint Committee.

m. Payables

Accounts payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

Amounts payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the council.

Notes to the Financial Statements for the year ended 31 December 2022 – continued

n. Financial Instruments

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs. They are measured subsequently as described below.

Financial Assets

For the purpose of subsequent measurement, the financial assets of the Council are classified into loans and receivables upon initial recognition.

Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to loans and receivables are presented within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administration and other expenditure'.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Council's other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

Financial liabilities

The Council's financial liabilities include other payables. These are stated at their nominal amount which is a reasonable approximation of fair value.

All interest-related charges are included within 'finance costs'.

Notes to the Financial Statements for the year ended 31 December 2022 – continued

o. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS as adopted by the EU requires Council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In the opinion of the Council members, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

p. Borrowings

Borrowings are initially recognised at cost, being the fair value of the consideration received and includes acquisition charges associated with the borrowing.

Subsequent to initial recognition, all interest-bearing borrowings, are measured at amortised cost, using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on settlement.

Borrowing costs are recognised as an expense in the period in which they are incurred.

Notes to the Financial Statements for the year ended 31 December 2022 – continued**3a Property, Plant and Equipment**

	Trees	Office Furniture /fittings	Office & Computer Equipment	Plant & Machinery	Urban Improvements	New Street Signs	Construction	Special Programmes	Council Premises	Assets under Construction	Total
Cost	€	€	€	€	€	€	€	€	€	€	€
At 1 January 2022	7,144	34,072	36,916	32,625	750,110	13,942	2,394,949	136,328	138,150	-	3,544,236
Reclassification	-	-	-	-	-	-	-	-	-	-	-
Additions this year	-	2,446	6,478	1,930	40,474	-	-	-	-	470,555	521,883
At 31 December 2022	7,144	36,518	43,394	34,555	790,584	13,942	2,394,949	136,328	138,150	470,555	4,066,119
Grants and other reimbursements											
At 1 January 2022	(332)	-	-	-	(185,496)	-	(593,204)	(68,341)	-	-	(847,373)
Additions this year	-	(2,446)	(828)	-	(30,277)	-	-	-	-	(451,588)	(485,139)
At 31 December 2022	(332)	(2,446)	(828)	-	(215,773)	-	(593,204)	(68,341)	-	(451,588)	(1,332,512)
Accumulated Depreciation											
At 1 January 2022	-	(31,822)	(32,714)	(32,625)	(537,325)	(13,942)	(1,470,944)	(67,987)	(14,302)	-	(2,201,661)
Charge this year	-	(1,282)	(2,519)	(320)	(3,878)	-	(116,695)	-	(1,384)	-	(126,078)
At 31 December 2022	-	(33,104)	(35,233)	(32,945)	(541,203)	(13,942)	(1,587,639)	(67,987)	(15,686)	-	(2,327,739)
Net book value											
At 31 December 2022	6,812	968	7,333	1,610	33,608	-	214,106	-	122,464	18,967	405,868

Notes to the Financial Statements for the year ended 31 December 2022 – continued

	Trees	Office Furniture / fittings	Office & Computer Equipment	Plant & Machinery	Urban Improvements	New Street Signs	Construction	Special Programmes	Council Premises	Assets under Construction	Total
Cost	€	€	€	€	€	€	€	€	€	€	€
At 1 January 2021	7,144	34,072	34,555	32,625	707,468	13,942	2,247,142	136,328	138,150	147,807	3,499,233
Reclassification	-	-	-	-	-	-	-	-	-	-	-
Additions this year	-	-	2,361	-	42,642	-	147,807	-	-	(147,807)	45,003
At 31 December 2021	7,144	34,072	36,916	32,625	750,110	13,942	2,394,949	136,328	138,150	-	3,544,236
Grants and other reimbursements											
At 1 January 2021	(332)	-	-	-	(157,406)	-	(587,109)	(68,341)	-	(14,273)	(827,461)
Additions this year	-	-	-	-	(28,090)	-	(6,095)	-	-	14,273	(19,912)
At 31 December 2021	(332)	-	-	-	(185,496)	-	(593,204)	(68,341)	-	-	(847,373)
Accumulated Depreciation											
At 1 January 2021	-	(29,266)	(31,705)	(32,625)	(519,092)	(13,942)	(1,354,249)	(67,987)	(12,918)	-	(2,061,784)
Charge this year	-	(2,556)	(1,009)	-	(18,233)	-	(116,695)	-	(1,384)	-	(139,877)
At 31 December 2021	-	(31,822)	(32,714)	(32,625)	(537,325)	(13,942)	(1,470,944)	(67,987)	(14,302)	-	(2,201,661)
Net book value											
At 31 December 2021	6,812	2,250	4,202	-	27,289	-	330,801	-	123,848	-	495,202

Notes to the Financial Statements for the year ended 31 December 2022 – continued

4 Receivables	2022	2021
	€	€
Accounts receivable	34,639	33,971
Accrued income	200,063	21,402
Prepayments	2,393	3,841
	<u>237,095</u>	<u>59,214</u>

Receivables		
Within the current period	216,937	58,354
Exceeded credit period but not yet impaired	20,158	860
	<u>237,095</u>	<u>59,214</u>

5 Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the Local Council's statement of financial position:

	2022	2021
	€	€
Bank Balances:		
Ordinary funds	527,523	474,856
Cash in hand	8	2
Overdrawn balances	(34,136)	(68,690)
	<u>493,395</u>	<u>406,168</u>
Transfer to payables	34,136	68,690
Cash at bank and in hand	<u>527,531</u>	<u>474,858</u>

6 Non-current Liabilities	2022	2021
	€	€
Borrowings	-	2,063
	<u>-</u>	<u>2,063</u>

The Council has a loan facility with APS Bank Limited, in connection with the construction and finishing costs of the new premises to house the administrative offices of the Council and a public convenience at North Street, Nadur. This loan is repayable in monthly instalments of Euro 787.33, bears an interest of 1.75% over the Central Bank Intervention rate and was repaid in full by January 2023.

The facility was secured by:

- First General Hypothec over the Council's assets for Euro 116,469.
- First Special Hypothec for Euro 116,469 on a piece of land covering an area of 3,372 sq.mts situated at Our Lady of Fatima Street, Nadur.
- Pledge on Business Insurance Policy in the name of Local Council.

The instalments falling due within one year are being disclosed with Current Liabilities under 'Payables' – Note 8.

Notes to the Financial Statements for the year ended 31 December 2022 – continued**6 Non-current Liabilities - continued**

	2022	2021
	€	€
Non-current payables		
Non-current liabilities may be analysed as follows:		
Due between 1 to 2 years	-	2,063
Due between 2 to 5 years	-	-
Due after 5 years	-	-
	<u>-</u>	<u>2,063</u>

7 Deferred Income Grants

	2022	2021
	€	€
Deferred Income 1 to 2 years	124,338	316,122
Deferred Income 2 to 5 years	-	-
Deferred Income over 5 years	-	-
	<u>124,338</u>	<u>316,122</u>

Deferred Income within 1 year

	<u>-</u>	<u>4,125</u>
--	----------	--------------

	2022	2021
	€	€
Opening balance	316,122	305,039
Increase in grants	124,162	35,120
Setoff of grants against non-current assets	<u>(315,946)</u>	<u>(19,912)</u>
Closing balance	124,338	320,247
Less Current portion	-	(4,125)
Non-current portion	<u>124,338</u>	<u>316,122</u>

8 Payables

	2022	2021
	€	€
Accounts payable	115,490	86,615
Accruals	509,390	73,317
Borrowings	2,068	9,167
Overdrawn balances	<u>34,136</u>	<u>68,690</u>
	<u>661,084</u>	<u>237,789</u>

9 Funds received from Central Government

	2022	2021
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	538,287	527,286
Other Government Income	<u>86,121</u>	<u>23,289</u>
	<u>624,408</u>	<u>550,575</u>

10 Income raised from Local Enforcement System

	2022	2021
	€	€
Administrative income from contraventions	<u>2,273</u>	<u>3,588</u>
	<u>2,273</u>	<u>3,588</u>

Notes to the Financial Statements for the year ended 31 December 2022 – continued

11 General Income	2022	2021
	€	€
Community services	120	-
Contributions and other income	63,886	46,572
Income from documents	1	10
Income from permits	23,057	14,260
	<u>87,064</u>	<u>60,842</u>
12 Personal Emoluments	2022	2021
	€	€
Personal emoluments include, inter alia:		
Mayor's honoraria and allowances	13,157	12,971
Councillors' allowance	10,600	10,600
Executive secretary salary, bonuses and allowances	44,915	32,740
Employees' salaries	66,508	64,243
Social security contributions	7,775	7,763
	<u>142,955</u>	<u>128,317</u>
13 Operations and Maintenance	2022	2021
	€	€
Operations and maintenance includes, inter alia:		
Repairs and Upkeep:		
Road and street pavements	9,456	17,175
Street signs and road markings	3,479	4,146
Public property	6,914	16,196
Other	2,118	3,988
Total	<u>21,967</u>	<u>41,505</u>
Contractual Services:		
Refuse Collection (including bins on wheels)	116,660	101,055
Bulky Refuse Collection (incl. open skips)	10,570	11,576
Road and Street Cleaning (mechanical and manual)	20,132	8,455
Cleaning and Maintenance of Public Conveniences	3,247	3,128
Cleaning and maintenance - parks and gardens	7,481	10,152
Local Enforcement System - expenses	25	89
Street lighting	2,946	8,543
Other	90,738	45,426
	<u>251,799</u>	<u>188,424</u>
Total Operations and Maintenance Expenses	<u>273,766</u>	<u>229,929</u>

Notes to the Financial Statements for the year ended 31 December 2022 – continued

14 Administration and other expenditure	2022	2021
	€	€
Utilities	20,306	16,634
Other repairs and upkeep	13,966	16,411
National and International Memberships	2,976	1,707
Rent	11,470	7,825
Office Services	11,970	8,176
Travel	5,677	198
Transport	17,649	3,005
Information services	19,169	7,780
Other contractual services	4,826	2,856
Professional Services	47,596	32,915
Community and Hospitality	99,140	23,321
Depreciation	126,077	139,877
	<u>380,822</u>	<u>260,705</u>
15 Finance cost	2022	2021
	€	€
Interest on bank loan	305	653
	<u>305</u>	<u>653</u>
16 Capital Commitments	2022	2021
	€	€
Capital expenditure approved and contracted for	174,571	545,475
Capital expenditure approved but not yet contracted for	523,679	190,600
	<u>698,250</u>	<u>736,075</u>
Further analysis as follows:		
Capital expenditure approved and Contracted for:		
Resurfacing Works – Old Ramla Road	174,571	545,475
	<u>174,571</u>	<u>545,475</u>
Capital expenditure approved but not yet contracted for:		
Refurbishment of Playing Field (San Blas)	26,432	12,800
Embellishment – Various Areas in Nadur	160,147	177,800
Rural Roads – Measure 4.3	268,088	-
Embellishment - Belvedere	69,012	-
	<u>523,679</u>	<u>190,600</u>

Notes to the Financial Statements for the year ended 31 December 2022 – continued**16 Capital Commitments - continued**

It should be noted that the capital commitments listed above are to be in their majority financed by third parties and not through the Local Council annual allocation. In fact:

- (i) the resurfacing works for Old Ramla Road is in its majority financed by the Ministry for Gozo. The Nadur Local Council will contribute to pay the ancillary expenses which amongst others include professional fees and water service works;
- (ii) the refurbishment of the San Blas playing field and the projects involving the embellishment of the various areas in Nadur, will in their majority be financed by the Department of Local Government and the Gozo Region; and
- (iii) the Measure 4.3 – Rural Roads project will be financed mainly from EU Funds. Co-financing will also be received with respect to this project.

17 Related Parties Disclosures

During the year under review, the Council carried out transactions with the following related parties:

Name of entity	Nature of relationship
Department of Local Councils	Significant control
Regional Committees	Limited / Non-significant control
Ministry for Gozo	No control

The following were the significant transactions carried out by the Council with related parties having:

	2022	2021
Significant control:		
Revenue	€	€
Annual financial allocation	<u>538,287</u>	<u>527,286</u>

The ultimate controlling party of the Local Council is Central Government since the Council's main revenue is from the Government allocation received every quarter. Apart from the normal funds received from Government, Councils also receive funds relating to specific projects as well as other funds for the improvement of the locality.

18 Risk management objectives and policies

The Council's activities expose it to credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Council is not exposed to any market risk. The Council's risk management is coordinated by the council members and focuses on actively securing the council's short to medium term cash flow by minimising exposure to financial risks.

The most significant financial risks to which the Council is exposed are described below.

18.1 Credit risk

The Council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period, as summarised below:

	2022	2021
Class of financial assets – carrying amounts	€	€
Trade and other receivables	237,095	59,214
Cash and Cash Equivalents	<u>527,531</u>	<u>474,858</u>
	<u>764,626</u>	<u>534,072</u>

Notes to the Financial Statements for the year ended 31 December 2022 – continued

18 Risk management objectives and policies – continued

18.1 Credit risk - continued

The Council continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Council's policy is to deal with only creditworthy counterparties.

The Council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See note 4 for further information on impairment or financial assets that are past due.

None of the Council's financial assets is secured by collateral or other credit enhancements

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

18.2 Liquidity risk

The Council's exposure to liquidity risk arises from its obligations to meet its financial liabilities which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funds to meet the council's obligations when they become due.

The Council manages its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis.

	2022	2021
	€	€
Payables	<u>661,084</u>	<u>237,789</u>
	<u>661,084</u>	<u>237,789</u>

18.3 Interest rate risk

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 5), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

Notes to the Financial Statements for the year ended 31 December 2022 – continued**18 Risk management objectives and policies – continued****18.4 Summary of the financial assets and liabilities by category**

The carrying amounts of the Council's financial assets and liabilities as recognised at the reporting dates under review are categorised as follows:

	2022	2021
	€	€
Current Assets		
Loans and receivables:		
Trade and other receivables	237,095	59,214
Cash and Cash Equivalents	<u>527,531</u>	<u>474,858</u>
	<u>764,626</u>	<u>534,072</u>
Non-current Liabilities		
Financial liabilities measured at amortised costs:		
Borrowings	<u>-</u>	<u>2,063</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	659,016	228,622
Borrowings	<u>2,068</u>	<u>9,167</u>
	<u>661,084</u>	<u>237,789</u>

18.5 Capital risk management

The Council's objectives when managing capital are to safeguard the Council's ability to continue as a going concern so that it can continue to provide a service to the residents of the Local Council by maintaining an optimal capital structure to reduce cost of capital.

The Council's equity, as disclosed in the statement of financial position, constitutes its capital. The Council's capital structure is monitored by the Executive Secretary and the Council with appropriate reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Council's activities, the capital level as at the end of the reporting period is deemed adequate by the Council.

19 Fair value estimation

At 31 December 2022 and 31 December 2021, the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

20 Reconciliation of liabilities arising from financing activities

	Balance as at 01.01.22	Interest	Payments	Balance as at 31.12.22
Movement in bank loan	11,230	305	(9,467)	<u>2,068</u>

Financial Statements for the year ended 31 December 2022

Independent Auditor's report