

Nadur Local Council

**Annual Report
and
Financial Statements**

1 January – 31 December 2021

**Prepared by:
M. Camilleri**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2021**

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Financial Statements for the year ended 31 December 2021

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 24th February 2022 by:

Edward Said
Mayor

Sue Ellen Bugeja
Executive Secretary

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	31 December 2021 €	31 December 2020 €
ASSETS			
Non-current assets			
Property, plant and equipment	3	<u>495,202</u>	<u>609,988</u>
		<u>495,202</u>	<u>609,988</u>
Current Assets			
Receivables	4	59,214	123,504
Cash and Cash Equivalents	5	<u>474,858</u>	<u>446,933</u>
		<u>534,072</u>	<u>570,437</u>
Total Assets		<u><u>1,029,274</u></u>	<u><u>1,180,425</u></u>
RESERVES AND LIABILITIES			
Reserves			
Retained Fund		469,175	473,774
Non-current liabilities			
Long term borrowings	6	1,782	10,582
Deferred income grants	7	320,247	305,039
Current liabilities			
Payables	8	238,070	391,030
Total reserves and liabilities		<u><u>1,029,274</u></u>	<u><u>1,180,425</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 24th February 2022 and signed on its behalf by:

Edward Said
Mayor

Sue Ellen Bugeja
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	2021 €	2020 €
REVENUE			
Funds received from central government	9	550,575	544,675
Funds raised under Local Enforcement System	10	3,588	1,500
General Income	11	<u>60,842</u>	<u>52,706</u>
		<u>615,005</u>	<u>598,881</u>
EXPENDITURE			
Personal emoluments	12	(128,317)	(100,827)
Operations and maintenance	13	(229,929)	(225,508)
Administration and other expenditure	14	<u>(260,705)</u>	<u>(282,262)</u>
		<u>(618,951)</u>	<u>(608,597)</u>
Operating (Loss) for the year		(3,946)	(9,716)
Investment income	15	-	16
Finance cost	16	<u>(653)</u>	<u>(1,011)</u>
Total Comprehensive (Loss) for the year		<u><u>(4,599)</u></u>	<u><u>(10,711)</u></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 2021

	Retained Earnings 2021 €	Retained Earnings 2020 €
At 1 January	473,774	484,485
Total Comprehensive (Loss) for the year	(4,599)	(10,711)
	<hr/>	<hr/>
At 31 December	469,175	473,774

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

STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Note	2021 €	2020 €
Cash Flows from Operating Activities			
Total Comprehensive (Loss) for the year		(4,599)	(10,711)
Adjustments for:			
Depreciation		139,877	157,133
Investment Income		-	(16)
Interest Payable		653	1,011
Operating Profit before Working Capital Changes		<u>135,931</u>	<u>147,417</u>
Decrease / (Increase) in Receivables		64,290	(10,226)
(Decrease) / Increase in Payables		<u>(162,587)</u>	<u>4,767</u>
Net Cash generated from Operating Activities		<u>37,634</u>	<u>141,958</u>
Cash flows from Investing Activities			
Purchase of property, plant and equipment		(45,003)	(262,680)
New grants received		19,912	101,580
Investment Income		-	16
Interest Payable		<u>(653)</u>	<u>(1,011)</u>
Net Cash (used in) Investing Activities		<u>(25,744)</u>	<u>(162,095)</u>
Cash flows from Financing Activities			
Movement in bank loan		<u>(8,800)</u>	<u>(8,446)</u>
Net Cash (used in) Financing Activities		<u>(8,800)</u>	<u>(8,446)</u>
Net Increase / (Decrease) in Cash and Cash Equivalents		3,090	(25,583)
Cash and Cash Equivalents at the Beginning of Year		403,078	431,661
Cash and Cash Equivalents at the End of Year	5	<u>406,168</u>	<u>403,078</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 2021

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.

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 tried to identify any amendments to IFRSs issued by the International Accounting Standards Boards (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2021. The new and revised standards that became effective on or after 1 January 2021 made several minor amendments to a number of IFRSs. None of the changes to IFRSs and interpretations has had, or is expected to have, 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 other 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 for non-compliance are to be disclosed separately with expenses.

Notes to the Financial Statements for the year ended 31 December 2021 – continued

d. Local Enforcement System

During 2021 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 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.

Notes to the Financial Statements for the year ended 31 December 2021 – 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.

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 2021 – 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 expires.

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 2021 – 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 including 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 2021 – 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 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 2021 – 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 2020	6,812	34,072	32,241	32,625	633,480	13,942	2,208,903	136,328	138,150	-	3,236,553
Reclassification	-	-	-	-	-	-	-	-	-	-	-
Additions this year	332	-	2,314	-	73,988	-	38,239	-	-	147,807	262,680
At 31 December 2020	<u>7,144</u>	<u>34,072</u>	<u>34,555</u>	<u>32,625</u>	<u>707,468</u>	<u>13,942</u>	<u>2,247,142</u>	<u>136,328</u>	<u>138,150</u>	<u>147,807</u>	<u>3,499,233</u>
Grants and other reimbursements											
At 1 January 2020	-	-	-	-	(92,444)	-	(565,096)	(68,341)	-	-	(725,881)
Additions this year	(332)	-	-	-	(64,962)	-	(22,013)	-	-	(14,273)	(101,580)
At 31 December 2020	<u>(332)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(157,406)</u>	<u>-</u>	<u>(587,109)</u>	<u>(68,341)</u>	<u>-</u>	<u>(14,273)</u>	<u>(827,461)</u>
Accumulated Depreciation											
At 1 January 2020	-	(26,710)	(31,029)	(32,625)	(468,667)	(13,942)	(1,252,157)	(67,987)	(11,534)	-	(1,904,651)
Charge this year	-	(2,556)	(676)	-	(50,425)	-	(102,092)	-	(1,384)	-	(157,133)
At 31 December 2020	<u>-</u>	<u>(29,266)</u>	<u>(31,705)</u>	<u>(32,625)</u>	<u>(519,092)</u>	<u>(13,942)</u>	<u>(1,354,249)</u>	<u>(67,987)</u>	<u>(12,918)</u>	<u>-</u>	<u>(2,061,784)</u>
Net book value											
At 31 December 2020	<u>6,812</u>	<u>4,806</u>	<u>2,850</u>	<u>-</u>	<u>30,970</u>	<u>-</u>	<u>305,784</u>	<u>-</u>	<u>125,232</u>	<u>133,534</u>	<u>609,988</u>

Notes to the Financial Statements for the year ended 31 December 2021 – continued

4 Receivables	2021	2020
	€	€
Accounts receivable	55,373	121,538
Prepayments	3,841	1,966
	<u>59,214</u>	<u>123,504</u>

Receivables

Within the current period	53,520	83,378
Exceeded credit period but not yet impaired	5,694	40,126
	<u>59,214</u>	<u>123,504</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:

	2021	2020
	€	€
Bank Balances:		
Ordinary funds	474,856	446,843
Cash in hand	2	90
Overdrawn balances	(68,690)	(43,855)
	<u>406,168</u>	<u>403,078</u>
Transfer to payables	68,690	43,855
Cash at bank and in hand	<u>474,858</u>	<u>446,933</u>

6 Non-current Liabilities

	2021	2020
	€	€
Borrowings	1,782	10,582
	<u>1,782</u>	<u>10,582</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 interest of 1.75% over the Central Bank Intervention rate and is repayable in full by June 2026.

The facility is secured by:

- (a) First General Hypothec over the Council's assets for Euro 116,469.
- (b) 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.

The instalments falling due within one year are being disclosed with Current Liabilities while the balance is separately disclosed as falling due after one year.

Notes to the Financial Statements for the year ended 31 December 2021 – continued**6 Non-current Liabilities - continued**

Non-current payables	2021	2020
Non-current liabilities may be analysed as follows:	€	€
Due between 1 to 2 years	1,782	9,448
Due between 2 to 5 years	-	1,134
Due after 5 years	-	-
	<u>1,782</u>	<u>10,582</u>

7 Deferred Income Grants

	2021	2020
	€	€
Deferred Income 1 to 2 years	320,247	305,039
Deferred Income 2 to 5 years	-	-
Deferred Income over 5 years	-	-
	<u>320,247</u>	<u>305,039</u>

	2021	2020
	€	€
Opening balance	305,039	352,333
Increase in grants	15,208	-
Setoff of grants against non-current assets	-	(47,294)
Closing balance	<u>320,247</u>	<u>305,039</u>
Less Current portion	-	-
Non-current portion	<u>320,247</u>	<u>305,039</u>

8 Payables

	2021	2020
	€	€
Accounts payable	86,615	165,987
Accruals	73,317	171,740
Borrowings	9,448	9,448
Overdrawn balances	68,690	43,855
	<u>238,070</u>	<u>391,030</u>

9 Funds received from Central Government

	2021	2020
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	527,284	514,585
Other Government Income	23,291	30,090
	<u>550,575</u>	<u>544,675</u>

10 Income raised from Local Enforcement System

	2021	2020
	€	€
Administrative income from contraventions	3,588	1,500
	<u>3,588</u>	<u>1,500</u>

Notes to the Financial Statements for the year ended 31 December 2021 – continued

11 General Income	2021	2020
	€	€
Community services	-	20
Contributions and other income	46,572	35,415
Income from documents	10	-
Income from permits	14,260	17,271
	<u>60,842</u>	<u>52,706</u>

12 Personal Emoluments	2021	2020
	€	€
Personal emoluments include, inter alia:		
Mayor's honoraria and allowances	12,971	12,804
Councillors' allowance	10,600	10,600
Executive secretary salary, bonuses and allowances	60,495	34,321
Employees' salaries	36,488	37,199
Social security contributions	7,763	5,903
	<u>128,317</u>	<u>100,827</u>

13 Operations and Maintenance

	2021	2020
	€	€
Operations and maintenance includes, inter alia:		
Repairs and Upkeep:		
Road and street pavements	17,175	16,834
Street signs and road markings	4,146	3,868
Public property	16,196	13,335
Other	3,988	4,868
Total	<u>41,505</u>	<u>38,905</u>

Contractual Services:

Refuse Collection (including bins on wheels)	101,055	82,055
Bulky Refuse Collection (incl. open skips)	11,576	10,205
Road and Street Cleaning (mechanical and manual)	8,455	27,647
Cleaning and Maintenance of Public Conveniences	3,128	3,247
Cleaning and maintenance - parks and gardens	10,152	8,751
Local Enforcement System - expenses	89	19
Street lighting	8,543	7,306
Other	45,426	47,373
	<u>188,424</u>	<u>186,603</u>
Total Operations and Maintenance Expenses	<u>229,929</u>	<u>225,508</u>

Notes to the Financial Statements for the year ended 31 December 2021 – continued

14 Administration and other expenditure	2021	2020
	€	€
Utilities	16,634	17,348
Other repairs and upkeep	16,411	16,047
National and International Memberships	1,707	1,685
Rent	7,825	6,377
Office Services	8,176	8,519
Travel	198	1,163
Transport	3,005	4,514
Information services	7,780	8,778
Other contractual services	2,856	2,889
Professional Services	32,915	34,619
Community and Hospitality	23,321	22,968
Bad Debts	-	222
Depreciation	139,877	157,133
	<u>260,705</u>	<u>282,262</u>
15 Investment income	2021	2020
	€	€
Bank Interest Receivable	-	16
	<u>-</u>	<u>16</u>
16 Finance cost	2021	2020
	€	€
Interest on bank loan	653	1,011
	<u>653</u>	<u>1,011</u>
17 Capital Commitments	2021	2020
	€	€
Capital expenditure approved and contracted for	672,222	694,982
Capital expenditure approved but not yet contracted for	12,800	-
	<u>685,022</u>	<u>694,982</u>
Further analysis as follows:		
Capital expenditure approved and Contracted for:		
Greeing Urban Areas Project	-	-
Replacement of Steel Railings	-	22,760
Resurfacing Works – Old Ramla Road	672,222	672,222
	<u>672,222</u>	<u>694,982</u>
Capital expenditure approved but not yet contracted for:		
Refurbishment of Playing Fields	12,800	-
	<u>12,800</u>	<u>-</u>

Notes to the Financial Statements for the year ended 31 December 2021 – continued

17 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; and
- (ii) the Playing Fields Project, which involves the embellishment of playing field areas in Nadur, will in its majority financed be by the Ministry for the National Heritage, The Arts and Local Government.

It should be noted that all of the capital commitments listed above were still not wholly finalized by end of year 2021.

18 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:

	2021	2020
Significant control:		
Revenue	€	€
Annual financial allocation	<u>527,284</u>	<u>514,585</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.

19 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.

19.1 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:

	2021	2020
Class of financial assets – carrying amounts	€	€
Trade and other receivables	59,214	123,504
Cash and Cash Equivalents	<u>474,858</u>	<u>446,933</u>
	<u>534,072</u>	<u>570,437</u>

Notes to the Financial Statements for the year ended 31 December 2021 – continued

19 Risk management objectives and policies – continued

19.1 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 notes 4 and 5 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.

19.2 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.

	2021	2020
	€	€
Payables	<u>238,070</u>	<u>391,030</u>
	<u><u>391,030</u></u>	<u><u>391,030</u></u>

19.3 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 2021 – continued

19 Risk management objectives and policies – continued

19.4 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:

	2021	2020
	€	€
Current Assets		
Loans and receivables:		
Trade and other receivables	59,214	123,504
Cash and Cash Equivalents	<u>474,858</u>	<u>446,933</u>
	<u>534,072</u>	<u>570,437</u>
Non-current Liabilities		
Financial liabilities measured at amortised costs:		
Borrowings	<u>1,782</u>	<u>10,582</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	228,622	381,582
Borrowings	<u>9,448</u>	<u>9,448</u>
	<u>238,070</u>	<u>391,030</u>

19.5 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.

20 Fair value estimation

At 31 December 2021 and 31 December 2020, 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.

Financial Statements for the year ended 31 December 2021

Independent Auditor's report