

**Nadur Local Council**

**Annual Report  
and  
Financial Statements**

**1 January – 31 December 2023**

**Prepared by:  
M. Camilleri**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
31 DECEMBER 2023**

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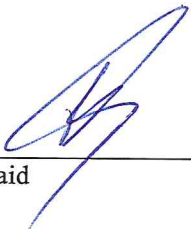
**Financial Statements for the year ended 31 December 2023**

**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 23 April 2024 by:



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Edward Said  
Mayor



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Sue Ellen Bugeja  
Executive Secretary


**STATEMENT OF FINANCIAL POSITION**

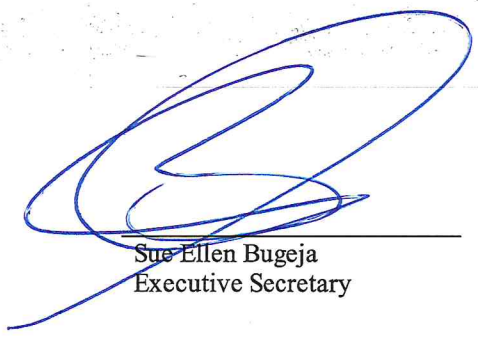
As at 31 December 2023

	Notes	31 December 2023 €	31 December 2022 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	<u>357,163</u>	<u>405,868</u>
		<u>357,163</u>	<u>405,868</u>
<b>Current Assets</b>			
Receivables	4	<u>275,823</u>	<u>237,095</u>
Cash and Cash Equivalents	5	<u>582,308</u>	<u>527,531</u>
		<u>858,131</u>	<u>764,626</u>
<b>Total Assets</b>		<u><u>1,215,294</u></u>	<u><u>1,170,494</u></u>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Retained Fund		349,088	385,072
<b>Non-current liabilities</b>			
Deferred income grants	6	-	124,338
<b>Current liabilities</b>			
Payables	7	622,730	661,084
Deferred income grants	6	243,476	-
<b>Total reserves and liabilities</b>		<u><u>1,215,294</u></u>	<u><u>1,170,494</u></u>

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

These Financial Statements were approved and authorised for issue by the Local Council on 23 April 2024 and signed on its behalf by:

  
\_\_\_\_\_  
Edward Said  
Mayor

  
\_\_\_\_\_  
Sue Ellen Bugeja  
Executive Secretary

**STATEMENT OF COMPREHENSIVE INCOME**

Year ended 31 December 2023

	Notes	2023 €	2022 €
<b>REVENUE</b>			
Funds received from central government	8	600,737	624,408
Funds raised under Local Enforcement System	9	2,678	2,273
General Income	10	32,632	87,064
		<u>636,047</u>	<u>713,745</u>
<b>EXPENDITURE</b>			
Personal emoluments	11	(130,867)	(142,955)
Operations and maintenance	12	(206,614)	(273,766)
Administration and other expenditure	13	(334,621)	(380,822)
		<u>(672,102)</u>	<u>(797,543)</u>
<b>Operating Loss for the year</b>		(36,055)	(83,798)
Investment income	14	96	-
Finance cost	15	(25)	(305)
<b>Loss for the financial year</b>		<u>(35,984)</u>	<u>(84,103)</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 2023

	Retained Earnings 2023 €	Retained Earnings 2022 €
At 1 January	385,072	469,175
Total Comprehensive Loss for the year: <i>Loss for the financial year</i>	(35,984)	(84,103)
At 31 December	<u>349,088</u>	<u>385,072</u>

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

**STATEMENT OF CASH FLOWS**

Year ended 31 December 2023

	Note	2023 €	2022 €
<b>Cash Flows from Operating Activities</b>			
Total Comprehensive Loss for the year		(35,984)	(84,103)
Adjustments for:			
Depreciation		41,011	126,078
Investment Income		(96)	-
Interest Payable		25	305
<b>Operating Surplus before Working Capital Changes</b>		<u>4,956</u>	<u>42,280</u>
Decrease / (Increase) in Receivable		10,079	(12,813)
Decrease in Payables		(31,970)	(5,607)
<b>Net Cash generated from Operating Activities</b>		<u>(16,935)</u>	<u>23,860</u>
<b>Cash flows from Investing Activities</b>			
Purchase of property, plant and equipment		(61,533)	(51,328)
New grants received		160,726	124,162
Investment Income		96	-
<b>Net Cash generated from Investing Activities</b>		<u>99,289</u>	<u>72,834</u>
<b>Cash flows from Financing Activities</b>			
Interest Paid		(25)	(305)
Movement in bank loan		(2,068)	(9,162)
<b>Net Cash used in Financing Activities</b>		<u>(2,093)</u>	<u>(9,467)</u>
Net Increase in Cash and Cash Equivalents		80,261	87,227
Cash and Cash Equivalents at the Beginning of Year		493,395	406,168
<b>Cash and Cash Equivalents at the End of Year</b>	5	<u>573,656</u>	<u>493,395</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 2023**

**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. Material Accounting Policy Information**

The accounting policies that are material to the 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 ("IFRS Accounting 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 or amended accounting standards, and interpretations adopted**

The following amended standards became applicable for the current reporting period:

*Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies*

The amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The term 'significant' was replaced with 'material' in the context of disclosing accounting policy information. In assessing the materiality of the accounting policy information the Council considers the size of transactions, other events or conditions and their nature.

The Council adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') and the IFRS Interpretations Committee and endorsed by the EU that are mandatory for the current reporting period. The adoption of these amendments to the requirements of IFRS Accounting Standards as adopted by the EU did not result in substantial changes to the Council's accounting policies impacting the Council's financial performance and position.

**New or amended accounting standards, and interpretations issued but not yet effective**

At the end of the reporting period, certain new standards, interpretations and amendments thereto, were in issue and endorsed by the EU, but not yet effective for the current financial year. There have been no instances of early adoption of standards, interpretations or amendments ahead of their effective date. The Council anticipates that the adoption of the new standards, interpretations or amendments thereto, will not have a material impact on the financial statements upon initial application.

**Notes to the Financial Statements for the year ended 31 December 2023 – continued**

**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.

**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 related to the acquisition of property, plant and equipment 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 2023 – continued**

**f. Government Grants – continued**

Government grants relating to operating expenditure are recognised in the statement of comprehensive income in the same period when the related expenses are incurred.

**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. 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.

**k. 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.

**Notes to the Financial Statements for the year ended 31 December 2023 – continued**

**k. Financial Instruments - continued**

**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 'investment 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'.

**l. Critical accounting estimates and judgements**

The preparation of financial statements in conformity with IFRS Accounting Standards 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).

**Notes to the Financial Statements for the year ended 31 December 2023 – continued**

**m. 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 2023 – 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 2023	7,144	36,518	43,394	34,555	790,584	13,942	2,394,949	136,328	138,150	470,555	4,066,119
Reclassification	-	-	-	-	-	-	-	-	-	-	-
Additions this year	-	3,485	1,387	340	56,323	-	-	-	-	20,373	81,908
At 31 December 2023	7,144	40,003	44,781	34,895	846,907	13,942	2,394,949	136,328	138,150	490,928	4,148,027
<b>Grants and other reimbursements</b>											
At 1 January 2023	(332)	(2,446)	(828)	-	(215,773)	-	(593,204)	(68,341)	-	(451,588)	(1,332,512)
Additions this year	-	-	-	-	(50,262)	-	-	-	-	(39,340)	(89,602)
At 31 December 2023	(332)	(2,446)	(828)	-	(266,035)	-	(593,204)	(68,341)	-	(490,928)	(1,422,114)
<b>Accumulated Depreciation</b>											
At 1 January 2023	-	(33,104)	(35,233)	(32,945)	(541,203)	(13,942)	(1,587,639)	(67,987)	(15,686)	-	(2,327,739)
Charge this year	-	(366)	(2,784)	(425)	(4,467)	-	(31,585)	-	(1,384)	-	(41,011)
At 31 December 2023	-	(33,470)	(38,017)	(33,370)	(545,670)	(13,942)	(1,619,224)	(67,987)	(17,070)	-	(2,368,750)
<b>Net book value</b>											
At 31 December 2023	6,812	4,087	5,936	1,525	35,202	-	182,521	-	121,080	-	357,163

**Notes to the Financial Statements for the year ended 31 December 2023 – 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 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
<b>Grants and other reimbursements</b>											
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)
<b>Accumulated Depreciation</b>											
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)
<b>Net book value</b>											
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 2023 – continued**

<b>4 Receivables</b>	2023	2022
	€	€
Accounts receivable	8,371	34,639
Accrued income	263,223	200,063
Prepayments	4,229	2,393
	<u>275,823</u>	<u>237,095</u>

<b>Receivables</b>		
Within the current period	272,986	216,937
Exceeded credit period but not yet impaired	2,837	20,158
	<u>275,823</u>	<u>237,095</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:

	2023	2022
	€	€
Bank Balances:		
Ordinary funds	582,209	527,523
Cash in hand	99	8
Overdrawn balances	(8,652)	(34,136)
	<u>573,656</u>	<u>493,395</u>
Transfer to payables	8,652	34,136
Cash at bank and in hand	<u>582,308</u>	<u>527,531</u>

<b>6 Deferred Income Grants</b>	2023	2022
	€	€
Deferred Income 1 to 2 years	243,476	124,338
Deferred Income 2 to 5 years	-	-
Deferred Income over 5 years	-	-
	<u>243,476</u>	<u>124,338</u>

Deferred Income within 1 year	<u>-</u>	<u>-</u>
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	2023	2022
	€	€
Opening balance	124,338	316,122
Increase in grants	141,532	124,162
Setoff of grants against non-current assets	(21,601)	(315,946)
Reclassified to Payables	(793)	-
Closing balance	<u>243,476</u>	<u>124,338</u>
Less current portion	<u>(243,476)</u>	<u>-</u>
Non-current portion	<u>-</u>	<u>124,338</u>

**Notes to the Financial Statements for the year ended 31 December 2023 – continued**

<b>7 Payables</b>	2023	2022
	€	€
Accounts payable	75,328	115,490
Accruals	538,750	509,390
Bank loan	-	2,068
Overdrawn balances	8,652	34,136
	<u>622,730</u>	<u>661,084</u>
<b>8 Funds received from Central Government</b>	2023	2022
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	543,287	538,287
Other Government Income	57,450	86,121
	<u>600,737</u>	<u>624,408</u>
<b>9 Income raised from Local Enforcement System</b>	2023	2022
	€	€
Administrative income from contraventions	2,678	2,273
	<u>2,678</u>	<u>2,273</u>
<b>10 General Income</b>	2023	2022
	€	€
Community services	-	120
Contributions and other income	3,155	63,886
Income from documents	15	1
Income from permits	29,462	23,057
	<u>32,632</u>	<u>87,064</u>
<b>11 Personal Emoluments</b>	2023	2022
Personal emoluments include, inter alia:	€	€
Mayor's honoraria and allowances	13,479	13,157
Councillors' allowance	10,600	10,600
Executive secretary salary, bonuses, income supplements and allowances	35,008	44,915
Employees' salaries	64,165	66,508
Social security contributions	7,615	7,775
	<u>130,867</u>	<u>142,955</u>

**Notes to the Financial Statements for the year ended 31 December 2023 – continued****12 Operations and Maintenance**

	2023	2022
	€	€
Operations and maintenance includes, inter alia:		
<b>Repairs and Upkeep:</b>		
Road and street pavements	15,504	9,456
Street signs and road markings	4,073	3,479
Public property	1,760	6,914
Other	2,463	2,118
<b>Total</b>	<u>23,800</u>	<u>21,967</u>

**Contractual Services:**

Refuse Collection (including bins on wheels)	81,000	116,660
Bulky Refuse Collection (incl. open skips)	12,576	10,570
Road and Street Cleaning (mechanical and manual)	21,116	20,132
Cleaning and Maintenance of Public Conveniences	3,247	3,247
Cleaning and maintenance - parks and gardens	5,723	7,481
Local Enforcement System - expenses	22	25
Street lighting	1,503	2,946
Other	57,627	90,738
	<u>182,814</u>	<u>251,799</u>
<b>Total Operations and Maintenance Expenses</b>	<u>206,614</u>	<u>273,766</u>

**13 Administration and other expenditure**

	2023	2022
	€	€
Utilities	21365	20,306
Other repairs and upkeep	11,804	13,966
National and International Memberships	1,692	2,976
Rent	11,823	11,470
Office Services	10,208	11,970
Travel	29,714	5,677
Transport	11,562	17,469
Information services	19,877	19,169
Other contractual services	4,838	4,826
Professional Services	69,868	47,596
Community and Hospitality	100,859	99,140
Depreciation	41,011	126,077
	<u>334,621</u>	<u>380,822</u>

**14 Investment income**

	2023	2022
	€	€
Bank Interest Receivable	96	-
	<u>96</u>	<u>-</u>

**Notes to the Financial Statements for the year ended 31 December 2023 – continued**

<b>15 Finance cost</b>	2023	2022
	€	€
Interest on bank loan	25	305
	<u>25</u>	<u>305</u>
<b>16 Capital Commitments</b>	2023	2022
	€	€
Capital expenditure approved and contracted for	245,825	174,571
Capital expenditure approved but not yet contracted for	207,147	523,679
	<u>452,972</u>	<u>698,250</u>
Further analysis as follows:		
Capital expenditure approved and Contracted for:		
Resurfacing Works – Old Ramla Road	54,548	174,571
Rural Roads – Measure 4.3	121,862	-
Embellishment - Belvedere	69,415	-
	<u>245,825</u>	<u>174,571</u>
Capital expenditure approved but not yet contracted for:		
Refurbishment of Playing Field (San Blas)	-	26,432
Construction of Public Convenience @ San Blas	100,000	-
Security Measures - CCTV	13,791	-
Embellishment – Various Areas in Nadur	93,356	160,147
Rural Roads – Measure 4.3	-	268,088
Embellishment - Belvedere	-	69,012
	<u>207,147</u>	<u>523,679</u>

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 embellishment of parks and public spaces, the project involving the embellishment of the various areas in Nadur and the installation of CCTV as security measures in the community will in their majority be financed by the Department of Local Government and the Gozo Region;
- (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;
- (iv) the embellishment of the Belvedere @ Old Ramla Road will in its majority be financed by DPFF Funds; and
- (v) the construction of the public convenience @ San Blas will be mainly financed by funds obtained from LESA.

**Notes to the Financial Statements for the year ended 31 December 2023 – continued**

**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:

	2023	2022
Significant control:		
Revenue	€	€
Annual financial allocation	<u>543,287</u>	<u>538,287</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 to, 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:

	2023	2022
Class of financial assets – carrying amounts	€	€
Trade and other receivables	275,823	237,095
Cash and Cash Equivalents	<u>582,308</u>	<u>527,531</u>
	<u>858,131</u>	<u>764,626</u>

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.

**Notes to the Financial Statements for the year ended 31 December 2023 – continued**

**18 Risk management objectives and policies – continued**

**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.

	2023	2022
	€	€
Due within 1 year or less:		
Payables	<u>622,730</u>	<u>661,084</u>
	<u>622,730</u>	<u>661,084</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.

**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:

	2023	2022
	€	€
<b>Current Assets</b>		
Loans and receivables:		
Trade and other receivables	275,823	237,095
Cash and Cash Equivalents	<u>582,308</u>	<u>527,531</u>
	<u>858,131</u>	<u>764,626</u>
<b>Current Liabilities</b>		
Financial liabilities measured at amortised costs:		
Payables	622,730	659,016
Borrowings	<u>-</u>	<u>2,068</u>
	<u>622,730</u>	<u>661,084</u>

**18.5 Timing of cash flows**

The presentation of the financial assets and liabilities under current and non-current headings within the statement of financial position is intended to indicate the timing in which cash flows will arise.

**Notes to the Financial Statements for the year ended 31 December 2023 – continued**

**18 Risk management objectives and policies – continued**

**18.6 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 2023 and 31 December 2022, 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**

	Opening balance	Non-cash	Payments	Closing balance
<b>2023</b>	€	€	€	€
Bank Loan	2,068	25	(2,093)	-
	<hr/>			
	Opening balance	Non-cash	Payments	Closing balance
<b>2022</b>	€	€	€	€
Bank Loan	11,230	305	(9,467)	2,068

**Financial Statements for the year ended 31 December 2023**

**Independent Auditor's report**