

Gzira Local Council

Annual Report and Financial Statements

For the year ended 31 December 2021

Prepared by:

PKF Malta Limited

Gzira Local Council

ANNUAL REPORT AND FINANCIAL STATEMENTS 31 DECEMBER 2021

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Gzira Local Council

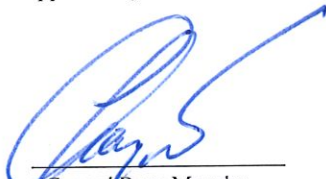
Financial Statements for the Year ended 31 December 2021

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 Local 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, Local Councils (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the 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 8th November 2022 by:



Conrad Borg Manche
Mayor



Claire Goodlip
Acting Executive Secretary

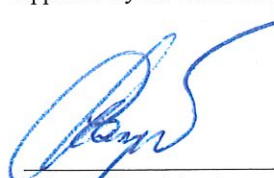
Statement of Financial Position

As at 31 December 2021

	Notes	2021 €	2020 €
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	3	<u>408,605</u>	<u>405,802</u>
Current Assets			
Trade and Other Receivables	4	134,128	247,219
Cash and Cash Equivalents	5	<u>439,013</u>	<u>126,603</u>
		<u>573,141</u>	<u>373,822</u>
Total Assets		<u><u>981,746</u></u>	<u><u>779,624</u></u>
RESERVES AND LIABILITIES			
Capital and Reserves			
Retained Funds		<u>447,478</u>	<u>453,185</u>
Non-Current Liabilities			
Deferred Income	6	<u>148,554</u>	<u>148,554</u>
Current Liabilities			
Trade and Other Payables	7	187,774	116,115
Deferred Income	6	<u>197,940</u>	<u>61,770</u>
		<u>385,714</u>	<u>177,885</u>
Total Liabilities		<u>534,268</u>	<u>326,439</u>
TOTAL RESERVES AND LIABILITIES		<u><u>981,746</u></u>	<u><u>779,624</u></u>

The above statement of financial position should be read in conjunction with the accompanying notes.

Approved by the Council and signed on its behalf on 8th November 2022 by:


 Conrad Borg Manche
 Mayor


 Claire Goodlip
 Acting Executive Secretary

Gzira Local Council

Statement of Comprehensive Income
Year ended 31 December 2021

	Notes	2021 €	2020 €
REVENUE			
Funds Received from Central Government	8	842,654	767,645
Income Raised under Local Council Bye-Laws	9	80,644	74,790
Income Raised under Law Enforcement System	10	8,500	4,352
General Income	11	-	362
		<u>931,798</u>	<u>847,149</u>
EXPENDITURE			
Personal Emoluments	12	(179,084)	(123,765)
Operations and Maintenance	13	(494,631)	(500,478)
Administration and Other Expenditure	14	<u>(263,790)</u>	<u>(277,688)</u>
		<u>(937,505)</u>	<u>(901,931)</u>
Total Operating deficit for the year		(5,707)	(54,782)
Investment Income	15	-	3
Finance Costs	16	-	<u>(257)</u>
Deficit for the year		<u>(5,707)</u>	<u>(55,036)</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Gzira Local Council

Statement of Changes in Equity
Year ended 31 December 2021

Retained Funds	2021	2020
	€	€
At 1 January	453,185	508,221
Deficit for the year	<u>(5,707)</u>	<u>(55,036)</u>
At 31 December	<u>447,478</u>	<u>453,185</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Gzira Local Council

Statement of Cash Flows
Year ended 31 December 2021

	Notes	2021 €	2020 €
Deficit for the year		(5,707)	(55,036)
Adjustments for:			
Depreciation	3	37,846	100,924
Re-classification of assets under construction to expenses		-	8,094
Interest Receivable		-	(3)
Interest Payable		-	257
Operating Surplus before Working Capital Changes		32,139	54,236
Movement in Receivables		113,091	(30,772)
Movement in Payables		51,355	(16,134)
Net Cash generated from Operating Activities		<u>196,585</u>	<u>7,330</u>
Cash flows from Investing Activities			
Interest received		-	3
Interest paid		-	(257)
Purchase of Property, Plant and Equipment	3	(40,649)	(20,923)
Grants received	6	156,474	61,770
Net cash generated from Investing Activities		<u>115,825</u>	<u>40,593</u>
Movement in Cash and Cash Equivalents		312,410	47,923
Cash and Cash Equivalents at the Beginning of the year		<u>126,603</u>	<u>78,680</u>
Cash and Cash Equivalents at the End of the year	5	<u>439,013</u>	<u>126,603</u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

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

1. General Information

Gzira Local Council is the local authority of Gzira setup in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at Rue d'Argens, Gzira. The local council's presentation as well as the functional Currency are denominated in Euro. The financial statements were authorised for issue by the council on 8th November 2022.

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.

• 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) as adopted by the European Union (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 enacted in Malta and with the requirements of the IFRS as adopted by the EU.

• Standards, interpretations and amendments to published standards as endorsed by the EU effective in the current year.

In the current year, the Authority has applied new and amended IFRS Standards issued by the International Accounting Standards Board (IASB) and adopted by the EU that are mandatorily effective in the EU for an accounting period that begins on or after 1 January 2021. The adoption of new and amended standards did not have a material impact on the Authority's financial statements.

- Amendments to IFRS 9, International Accounting Standards (IAS) 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective for annual reporting periods beginning on or after 01 January 2021)
- Amendment to IFRS 16 COVID-19 Related Rent Concessions (effective for annual reporting periods beginning on or after 01 April 2021)

• Standards, amendments and interpretations to published standards as endorsed by the EU that are not yet effective.

At the date of the authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective and have not been adopted early by the Council. Management anticipates that all the relevant pronouncements will be adopted in the Council's accounting policies upon their effective date. The Management is still assessing the effect of these changes on the financial statements, however certain new standards and interpretations are not expected to have a material impact on the Council's financial statements.

- Amendments to IFRS 3 Reference to the Conceptual Framework (effective for annual reporting periods beginning on or after 1 January 2022)
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (effective for annual reporting periods beginning on or after 1 January 2022)
- Amendments to IAS 37 Onerous Contracts Cost of Fulfilling a Contract (effective for annual reporting periods beginning on or after 1 January 2022)
- Annual Improvements to IFRS Standards 2018-2020 (effective for annual reporting periods beginning on or after 1 January 2022)

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

2. Accounting Policies and Reporting Procedures (Cont'd)

- **Standards, interpretations and amendments to published standards that are not yet endorsed by the EU.**
 - Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current (effective for annual reporting periods beginning on or after 1 January 2023)
 - Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 (effective for annual reporting periods beginning on or after 1 January 2023)
 - Amendments to IAS 8 Definition of Accounting Estimates (effective for annual reporting periods beginning on or after 1 January 2023)
 - IFRS 17 - Insurance Contracts (effective for annual reporting periods beginning on or after 1 January 2023)
 - Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual reporting periods beginning on or after 1 January 2023).

The Council is of the opinion that the adoption of these standards and interpretations did not have a material impact on the financial statements.

- **Revenue recognition**

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the statement of Comprehensive Income as it accrues.

- **Local Enforcement System**

The amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the administrative fee of 10% that is chargeable to the respective Regional Committees for contraventions paid at the Local Council.

- **Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated depreciation, impairment loss to date and grants received for specific projects. Depreciation is calculated on a monthly basis using the straight-line method of depreciation at rates estimated to write down the cost of all assets over their expected useful life, other than land and trees as follows:

	Rates in %
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
Playground furniture	100

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

2. Accounting Policies and Reporting Procedures (Cont'd)

• Property, Plant and Equipment (Cont'd)

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 surplus. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each year end. 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.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit or Loss and Other Comprehensive Income during the financial year in which they are incurred.

• Impairment of property, plant and equipment

At the end of each reporting period, the Council reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Council estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

• Government Grants

Government grants are not recognised until there is reasonable assurance that the Council will comply with the conditions attaching to them and that the grants will be received.

The council adopted the capital approach. Any grant related to expenditure is recognised as income in the period the expense is incurred.

Under the capital approach grants received are deducted from the respective asset's carrying account it was received for. This is shown as a separate line item in the property, plant and equipment note.

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

2. Accounting Policies and Reporting Procedures (Cont'd)

- **Amounts Receivable**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Local Council will not be able to collect all amounts receivable.

Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are considered as indicators that the amount to be received is impaired. Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The amount of the provision is recognised in the Statement of Comprehensive Income.

- **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 Local Council's functional and presentation currency.

- **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.

- **Cash and Cash 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.

- **Related parties**

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

During the year under review, the Local Council's related party that exercises a significant control was the Department for Local Government (note 18). The parties that exercise no control are disclosed in note 18.

- **Payables**

Accounts payable 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 payable 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 Local Council.

- **Financial Instruments**

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Local 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 substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

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

2. Accounting Policies and Reporting Procedures (Cont'd)

• Financial Instruments (Cont'd)

Classification and initial measurement of financial assets

Financial assets are initially measured at fair value adjusted for transaction costs (where applicable). Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost;
- fair value through profit or loss (FVTPL); or
- fair value through other comprehensive income (FVOCI)

In the period presented, the Council does not have any financial assets categorised as FVPTL and FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset

Subsequent measurement of financial assets

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Local Council's cash and cash equivalents and receivables fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses - the 'expected credit loss (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15, Revenue from contracts with customers and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Council's first identifying a credit loss event. Instead the Council considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

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

2. Accounting Policies and Reporting Procedures (Cont'd)

- **Financial Instruments (Cont'd)**

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Council's financial liabilities were not impacted by the adoption of IFRS 9.

The Local Council's financial liabilities include trade and other payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Local Council designated a financial liability at FVTPL.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in statement of income and expenditure are included within finance costs.

- **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 year in which the estimate is revised if the revision affects only that year; or in the year of revision and future years if the revision affects both current and future years.

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, *Presentation of Financial Statements (revised)*.

- **Capital management policies and procedures**

The Local Council's capital consists of its net assets, including working capital, represented by its retained funds. The Local Council's management objective is to ensure the council's ability to continue as a going concern is still valid.

The Local Council maintains a positive working capital ratio. To achieve this the Local Council carries out a quarterly review of the working capital ratio.

This ratio was positive at the reporting date.

Gzira Local Council

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

3. Property, Plant and Equipment

Tangible Assets Cost	Property €	Office Furniture / fittings €	Improvements to Property €	New Street Signs €	Urban Improvements €	Office Equipment €	Computer Equipment €	Gym Equipment €	Trees €	Construction €	Motor Vehicle €	Plant and Machinery €	Asset Under Construction €	Total €
At 1 January 2021	224,201	93,813	22,500	1,009	159,481	25,911	64,756	7,400	27,928	1,033,062	14,000	970	17,258	1,692,289
Additions	-	-	-	-	2,842	467	8,129	-	-	-	-	-	29,211	40,649
At 31 December 2021	224,201	93,813	22,500	1,009	162,323	26,378	72,885	7,400	27,928	1,033,062	14,000	970	46,469	1,732,938
Grants and other reimbursements														
At 01 January 2021	-	-	-	-	(83,197)	(1,273)	-	-	-	(235,547)	-	-	-	(320,017)
At 31 December 2021	-	-	-	-	(83,197)	(1,273)	-	-	-	(235,547)	-	-	-	(320,017)
Accumulated Depreciation														
At 1 January 2021	(35,992)	(53,445)	(9,085)	(1,009)	(44,531)	(20,704)	(50,754)	(7,400)	-	(732,816)	(10,008)	(726)	-	(966,470)
Charge for the year	(2,243)	(7,061)	-	-	(4,406)	(1,097)	(6,713)	-	-	(13,362)	(2,818)	(146)	-	(37,846)
At 31 December 2021	(38,235)	(60,506)	(9,085)	(1,009)	(48,937)	(21,801)	(57,467)	(7,400)	-	(746,178)	(12,826)	(872)	-	(1,004,316)
Net Book Value At 31 December 2021	185,966	33,307	13,415	-	30,189	3,304	15,418	-	27,928	51,337	1,174	98	46,469	408,605

Gzira Local Council

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

3. Property, Plant and Equipment (Cont'd)

Tangible Assets Cost	Property €	Office Furniture /fittings €	Improve- ments to Property €	New Street Signs €	Urban Improve- ments €	Office Equipme nt €	Computer Equipment €	Gym Equipment €	Trees €	Construction €	Motor Vehicle €	Plant and Machinery €	Asset Under Construction €	Total €
At 1 January 2020	224,201	91,448	22,500	1,009	159,015	22,419	51,219	7,400	27,928	1,033,062	14,000	970	24,290	1,679,460
Additions	-	2,365	-	-	466	3,492	13,537	-	-	-	-	-	1,062	20,923
Reclassified to expenses	-	-	-	-	-	-	-	-	-	-	-	-	(8,094)	(8,094)
At 31 December 2020	224,201	93,813	22,500	1,009	159,481	25,911	64,756	7,400	27,928	1,033,062	14,000	970	17,258	1,692,289
Grants and other reimbursements At 01 January 2020	-	-	-	-	(83,197)	(1,273)	-	-	-	(235,547)	-	-	-	(320,017)
At 31 December 2020	-	-	-	-	(83,197)	(1,273)	-	-	-	(235,547)	-	-	-	(320,017)
Accumulated Depreciation At 1 January 2020	(31,749)	(46,482)	(8,360)	(1,009)	(40,741)	(20,033)	(46,163)	(7,340)	-	(653,448)	(7,190)	(531)	-	(865,546)
Charge for the year At 31 December 2020	(2,243)	(6,963)	(225)	-	(3,790)	(671)	(4,591)	(60)	-	(79,368)	(2,818)	(195)	-	(100,924)
At 31 December 2020	(35,992)	(53,445)	(9,085)	(1,009)	(44,531)	(20,704)	(50,754)	(7,400)	-	(732,816)	(10,008)	(726)	-	(966,470)
Net Book Value At 31 December 2020	188,209	40,368	13,415	-	31,753	3,934	14,002	-	27,928	64,699	3,992	244	17,258	405,802

Notes to the Financial Statements for the year ended 31 December 2021**4. Trade and Other Receivables**

	2021	2020
	€	€
Trade Receivables	35,594	168,713
Provision for bad debts	<u>(5,686)</u>	<u>(5,686)</u>
	29,908	163,027
Other receivables	5,262	5,262
Accrued income	<u>61,641</u>	<u>57,727</u>
Financial assets	96,811	226,016
Prepayments	<u>37,317</u>	<u>21,203</u>
	<u><u>134,128</u></u>	<u><u>247,219</u></u>
Trade receivables		
Within the credit period	29,558	5,768
Exceeded credit period but not yet impaired	<u>350</u>	<u>157,259</u>
	<u><u>29,908</u></u>	<u><u>163,027</u></u>

The carrying value of short-term receivables is considered a reasonable approximation of fair value.

In determining the recoverability of receivables, the council considers any change in the credit quality of each receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the debtor base being unrelated.

The Local Council felt the need to make a provision for doubtful debts on an amount receivable from one of its customers. This customer seems to be undergoing financial difficulty so the whole debt is being considered as doubtful. LES receivables are stated net of provision for doubtful debts of €307,221.

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	438,949	126,541
Cash in hand	<u>64</u>	<u>62</u>
Cash at bank and in hand	<u><u>439,013</u></u>	<u><u>126,603</u></u>

Gzira Local Council

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

6. Deferred Income

	2021	2020
	€	€
Analysis		
Balance brought forward	210,324	148,554
Released during the year	(20,304)	-
Additions	<u>156,474</u>	<u>61,770</u>
	<u>346,494</u>	<u>210,324</u>
Deferred Income Allocation:		
Non-Current	148,554	148,554
Current	<u>197,940</u>	<u>61,770</u>
	<u>346,494</u>	<u>210,324</u>

7. Trade and Other Payables

	2021	2020
	€	€
Financial Liabilities		
Trade Payables	102,447	48,210
Accruals and Other Creditors	55,867	16,923
FSS and NI Due	8,143	9,486
Payable to LESA and Land Authority	<u>21,317</u>	<u>41,496</u>
	<u>187,774</u>	<u>116,115</u>

Gzira Local Council

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

8. Funds received from Central Government

	2021	2020
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	679,182	660,358
Other Government Income	<u>163,472</u>	<u>107,287</u>
	<u>842,654</u>	<u>767,645</u>

9. Income raised under Local Council Bye-Laws

	2021	2020
	€	€
Income from Bye-Laws	<u>80,644</u>	<u>74,790</u>

10. Income raised under the Law Enforcement System

	2021	2020
	€	€
Pre-regional Committees	562	686
Regional Committees - Administrative Fees	<u>7,938</u>	<u>3,666</u>
	<u>8,500</u>	<u>4,352</u>

11. General Income

	2021	2020
	€	€
Other Income	<u>-</u>	<u>362</u>

12. Personal Emoluments

	2021	2020
	€	€
Personal emoluments include, inter alia:		
Mayor's Allowance	17,669	15,309
Councillor's Allowances	17,334	22,600
Executive Secretary salary and allowance	35,011	10,682
Employees' Salary and Allowances	99,017	62,512
Social Security Contributions	<u>10,053</u>	<u>12,662</u>
	<u>179,084</u>	<u>123,765</u>

Gzira Local Council

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

13. Operations and Maintenance

Operations and maintenance include, inter alia:	2021	2020
Repairs and Upkeep:	€	€
Road and Street Pavements (patching works)	8,666	3,657
Street Signs	2,078	2,898
Road Markings	11	2,765
Other repairs and upkeep	<u>47,060</u>	<u>54,473</u>
	<u>57,815</u>	<u>63,793</u>
Contractual Services:		
Refuse Collection (including bins on wheels)	202,845	221,168
Bulky Refuse Collection (including open skips)	48,248	23,347
Road and Street Cleaning (mechanical and manual)	67,077	72,892
Tipping fees	53,399	55,810
Cleaning and Maintenance of Public Conveniences	-	492
Cleaning and Maintenance of Parks and Gardens	26,571	26,571
Cleaning - Council Premises	5,076	14,043
Street Lighting	10,720	6,483
Other Contractual Services	<u>22,880</u>	<u>15,879</u>
	<u>436,816</u>	<u>436,685</u>
Total Operations and Maintenance Expenses	<u>494,631</u>	<u>500,478</u>

14. Administration and Other Expenditure

	2021	2020
	€	€
Utilities	11,963	11,265
Materials & Supplies	11,107	7,788
Rent	14,185	12,807
Office Services	12,476	13,477
Information services (including library)	11,045	11,969
Professional Services	47,742	60,672
Insurance	6,097	6,042
Community and Hospitality	100,212	50,197
Depreciation	37,846	100,924
Transport Expense	621	1,330
LES expenses	(54)	54
Participation fees	9,075	151
Bank Charges	<u>1,475</u>	<u>1,012</u>
	<u>263,790</u>	<u>277,688</u>

15. Investment Income

	2021	2020
	€	€
Bank Interest Receivable	<u>-</u>	<u>3</u>

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

16. Finance Costs

	2021	2020
	€	€
Bank Interest	-	257
	<u>-</u>	<u>257</u>

17. Capital Commitments

Below are the projects that the Council has committed to but not yet contracted:-

Refurbishment of Public Convenience: The Gzira Local Council has spent EUR 22,634 on the Public Convenience Project so far and has estimated further expenditure of EUR 14,231 in order to complete the project.

Ibins Smart Solution for Waste Management: The Local Council was not awarded any funds and therefore this project was rejected.

Street CCTV System: This project involves installing street cameras in 5 locations. This project is currently at its initial stages. Once approved it will be funded 80% through a new launch of LESA funds and 20% from the Gzira Local Council Budget. This project is still ongoing.

Pilot Project – Housing Estate Green Walls: The Gzira Local Council was not awarded any funds and therefore this project was rejected.

18. Financial Instruments and 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	No control
Malta Environment and Planning Authority	No control
Assocjazzjoni Kunsilli Lokali	No control
ARMS Limited	No control
Office of The Attorney General	No control
Police Department	No control
Courts of Justice	No control
Department of Information	No control
Information And Data Protection Commissioner	No control
Malta Library & Information Association	No control
Ministry For Resources and Rural Affairs	No control
Malta Information Technology Agency	No control
Public Broadcasting Services Ltd	No control
WasteServ Malta Ltd	No control

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

18. Financial Instruments and Related Parties Disclosures (Cont'd)

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

	2021	2020
Significant control:	€	€
Financial allocation for the year	<u>679,182</u>	<u>660,358</u>

The ultimate controlling party of Gzira Local Council is the 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 and betterment of the locality.

19. Risk management objectives and policies

The Local Council's activities expose it to credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Local 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 Local Council is exposed are described below.

a. Credit risk

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

	Notes	2021	2020
<i>Class of financial assets – carrying amounts</i>		€	€
Trade and other receivables	4	96,811	226,016
Cash and Cash Equivalents	5	<u>439,013</u>	<u>126,603</u>
		<u>535,824</u>	<u>352,619</u>

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

The Local 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 Local 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.

b. Liquidity risk

The Local 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 Local Council's obligations when they become due.

Notes to the Financial Statements for the year ended 31 December 2021**19. Risk management objectives and policies (Cont'd)**

The Local council manage its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. The Local Council's liquidity is deemed to be sufficient in view of an excess of financial assets.

	Note	2021 €	2020 €
Payables		102,447	48,210
Accruals and other creditors		<u>85,327</u>	<u>67,905</u>
	7	<u>187,774</u>	<u>116,115</u>

c. Summary of the financial assets and liabilities by category

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

	Note	2021 €	2020 €
Trade and Other Receivables	4	96,811	226,016
Cash and Cash Equivalents	5	<u>439,013</u>	<u>126,603</u>
		<u>535,824</u>	<u>352,619</u>

*Financial liabilities measured at historic costs:***Current Liabilities**

Trade Payables		102,447	48,210
Accruals and Other Creditors		<u>77,184</u>	<u>58,419</u>
	7	<u>179,631</u>	<u>106,629</u>

d. Interest rate risk

The Local 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 Local 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 surplus or deficit of a defined interest rate shift that is reasonably possible at the end of the reporting year to be immaterial.

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

19. Risk management objectives and policies (Cont'd)

c. Capital risk management

The Local Council's objectives when managing capital are to safeguard the Local 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 Local Council's equity, as disclosed in the statement of financial position, constitutes its capital. The Local 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 Local Council's activities and the extent of borrowings, the capital level as at the end of the reporting year is deemed adequate by the Local Council.

f. Fair value estimation

At 31 December 2021 and 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 year of time between the origination of the instruments and their expected realisation.

20. Contingent Liabilities

The Local Council has the three below pending court cases in which the Local Council is implicated:

Gasamamo Insurance Limited vs Kunsill Locali Gzira: This case is currently being heard before the Small Claims Tribunal. The amount being claimed by the plaintiff is €950 exclusive of interest and judicial costs. This Local Council has filed an appeal and therefore this is still pending.

Dr Andre Borg vs Kunsil Locali Gzira: This case was decided at the first instance on 12th June 2020 wherein the Gzira Local Council was ordered to pay €26,547. This case is now with the Court of Appeal. Compensation of actual damages and loss of future earnings is being claimed. The amount that might have to be paid after the judgement is not capped and is exclusive of interest and judicial costs. The Local Council has filed an appeal and therefore this case is still pending.

21. Post Balance Sheet Events

There were no particular important events affecting the operations of the Local Council since the end of the accounting year.

22. Lease

The Gzira Local Council has taken a community centre hall at St. Albert Street in Gzira on lease and this in turn is leased out to the Primary Health Care as a place to treat their patients.

The rental fees for the period 1st November 2020 till 31st October 2021 is €13,336. The Council has applied for an extension of the Community Centre Lease till 31st October 2022 that is until the refurbishment works of the Gzira Health Centre is completed. An extension would mean a 5% increase over the rental fees that is €14,002. Any alterations required by the Health Department must only be accepted upon approval by the rightful owner of the premises.

The Gzira Local Council has another lease agreement with ST Properties Ltd. The initial period is of 1 year from 27th April 2020 to 26th April 2021. The agreement was extended until 26th April 2022 and the property was handed over to the owner on the last day. This property was also leased out to Primary Health Care on the same terms.

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