

Local Council Attard
Annual Report and Financial Statements
For the Year Ended 31 December 2022

For the Year Ended 31 December 2022

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

Registration

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's 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 Council (Financial) Regulations, and the Local Council (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 Council (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.

This statement was approved by the Council on 26th April 2023 and signed on its behalf by:

Mr. Stefan Cordina
Mayor

Ms. Marica Mifsud
Executive Secretary

**Independent Local Government Auditor’s Report to the Auditor General
Report on the Audit of the Financial Statements**

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Statement of Comprehensive Income
For the Year Ended 31 December 2022

	Notes	2022 €	2021 €
Revenue			
Funds received from Central Government	3	988,999	971,612
Income raised from Local Enforcement System		3,428	4,107
General Income	4	42,614	44,611
		1,035,041	1,020,330
Expenditure			
Personnel Emoluments	7	(216,788)	(196,668)
Operations and maintenance		(717,110)	(574,262)
Administration and other expenditure		(163,557)	(216,030)
		(1,097,455)	(986,960)
(Loss)/Profit from operations		(62,414)	33,370
Finance costs	5	(13)	(515)
Other income		2,109	-
(Loss)/Profit before tax		(60,318)	32,855
(Loss)/Profit for the year -total comprehensive (loss)/income	6	(60,318)	32,855

The notes on pages 9 to 29 form an integral part of these financial statements.

Statement of Financial Position

For the Year Ended 31 December 2022

		2022	2021
	Notes	€	€
ASSETS			
Non-current assets			
Property, plant and equipment	8	544,949	199,753
Intangible assets	9	-	85
Total non-current assets		544,949	199,838
Current assets			
Receivables	11	183,897	153,675
Cash and cash equivalents	13	286,114	294,604
Total current assets		470,011	448,279
TOTAL ASSETS		1,014,960	648,117
EQUITY AND LIABILITIES			
Equity			
Retained earnings		279,837	340,155
Total equity		279,837	340,155
Liabilities			
Non-current liabilities			
Deferred income	15	271,267	152,887
Current liabilities			
Lease liabilities	10	-	4,535
Deferred income	15	264,918	71,806
Payables	12	198,938	77,379
Bank overdraft	13	-	1,355
Total current liabilities		463,856	155,075
Total liabilities		735,123	307,962
TOTAL EQUITY AND LIABILITIES		1,014,960	648,117

The notes on pages 9 to 29 form an integral part of these financial statements.

These financial statements on pages 5 to 29 were approved by the Local Council on 26th April 2023 and were signed on its behalf by:

Mr. Stefan Cordina
Mayor

Ms. Marica Mifsud
Executive Secretary

Statement of Changes in Equity

For the Year Ended 31 December 2022

	Retained Earnings	Total Equity
	€	€
Balance as at 1 January 2022	340,155	340,155
Comprehensive income		
Loss for the year - total comprehensive loss	(60,318)	(60,318)
Transactions with the owners		
Balance as at 31 December 2022	279,837	279,837

	Retained Earnings	Total Equity
	€	€
Balance as at 1 January 2021	307,300	307,300
Comprehensive income		
Profit for the year - total comprehensive income	32,855	32,855
Transactions with owners		
Balance at 31 December 2021	340,155	340,155

The notes on pages 9 to 29 form an integral part of these financial statements.

Statement of Cash Flows

For the Year Ended 31 December 2022

	Notes	2022 €	2021 €
Cash from operating activities:			
(Loss)/Profit from operations		(60,318)	32,855
Depreciation of property, plant and equipment and right-of-use assets	6	44,017	49,958
Amortisation of intangible assets	9	85	251
Movement in provision for doubtful debts	11	1,525	-
Bad debts written off	11	1,625	-
Lease interest payable	10	13	515
Operating (loss)/profit before working capital changes		(13,053)	83,579
Decrease in inventories		-	2,144
Decrease (increase) in receivables		(33,372)	60,897
Increase (decrease) in payables		121,559	(28,330)
Net cash flows from operating activities		75,134	118,290
Cash from investing activities:			
Purchase of property, plant & equipment		(456,183)	(85,714)
Receipt of grant		378,462	102,914
Net cash flows (used in)/from investing activities		(77,721)	17,200
Cash from financing activities:			
Interest paid		(13)	(515)
Payment of principal portion of lease liabilities		(4,535)	(10,285)
Net cash flows (used in) financing activities		(4,548)	(10,800)
Net movement in cash and cash equivalents		(7,135)	124,690
Cash and cash equivalents at beginning of year		293,249	168,559
Cash and cash equivalents at end of year	13	286,114	293,249

The notes on pages 9 to 29 form an integral part of these financial statements.

Notes to the Financial Statements

For the Year Ended 31 December 2022

1. General Notes

a. Basis of preparation

i. Entity information

The Local Council Attard is the local authority of Malta set up in accordance with the Local Councils Act (1993). The office of the Local Council is situated at Triq Sant' Anna 13/15 H'Attard, ATD 1340.

ii. Statement of compliance

The financial statements have been prepared and presented in accordance with the provisions of 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 International Financial Reporting Standards.

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).

iii. Basis of measurement

The financial statements have been prepared on the historical cost basis, as modified to include fair values where it is stated in the accounting policies below.

iv. Functional and presentation currency

The financial statements are presented in euro (€), which is the Company's functional currency.

Transactions denominated in foreign currencies are converted to the functional currency at the rates of exchange ruling on the dates on which the transactions first qualify for recognition. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in profit or loss.

v. Use of estimates and assumptions

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

2. Significant Accounting Policies

a. Going concern

i. Going concern

The Statement of Financial Position on page 6 and the notes thereto, with special reference to capital commitments, suggest that the going concern assumption used in the preparation of these financial statements is dependent on further sources of funds other than the annual financial allocation by Central Government, on the collection of debts due to the Local Council and on the continued support of the Council's creditors. Any adverse change in either of these assumptions above, would not let the Local Council able to meet its financial obligations as they fall due without curtailing its future commitments.

b. Standards, amendments and interpretations to existing standards

The new and revised standards that became effective for annual periods beginning on or after 1 January 2022 made several minor amendments to a number of International Financial Reporting Standards (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.

i. New standards adopted as at 1 January 2022

Some accounting pronouncements which have become effective from 1 January 2022 and have therefore been adopted do not have a significant impact on the Local Council's financial results or position.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Local Council

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board (IASB) but are not yet effective and have not been adopted early by the Local Council. Management anticipates that all of the relevant pronouncements will be adopted in the Local Council's accounting policies for the first period beginning after the effective date of the pronouncement. No new standards, amendments and interpretations are expected to be relevant to the Local Councils' financial statements

c. Property, plant and equipment

i. Value Method

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

2. Significant Accounting Policies (continued)

c. Property, plant and equipment (continued)

ii. Depreciation

Depreciation is charged to the statement of comprehensive income on a monthly basis using the straight-line method at rates calculated to write off the cost less residual value of each asset over the estimated useful life as follows:

Urban Improvements and Construction	10%
Buildings	1%
Plant, machinery and Equipment	20%
Furniture and fixtures	7.5%
Motor vehicles	20%
Office equipment	20%
IT equipment	25%
Plants	100%
Road signs	Replacement Basis
Trees	0%
New Street Lights	100%
Street Mirrors	Replacement Basis
Traffic signs	Replacement Basis
Playground Furniture	100%
Little Bins	Replacement Basis
Special Projects	10%
Construction works	Upon completion

Assets under construction are depreciated upon completion of work.

Gains and losses on the disposal or retirement of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount at the date of disposal. The gains or losses are recognised in the statement of comprehensive income as other operating income or other operating costs, respectively.

d. Intangible assets

i. Acquired intangible assets

An acquired intangible asset is recognised only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost, comprising its purchase price and any directly attributable cost of preparing the asset for its intended use.

Intangible assets are subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is calculated to write down the carrying amount of the intangible asset using the straight-line method over its expected useful life. Amortisation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale).

Amortisation is based on a useful life of 4 years and is charged to profit or loss.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

2. Significant Accounting Policies (continued)

e. Inventories

i. Inventories

Inventories are stated at the lower of cost and net realisable value. Stocks are determined by the weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

f. Leases

i. The Local Council is the lessee

The Local Council leases an office building, used as its offices. The rental lease contract is for a fixed period of one year but may be extended for a further year. Lease terms contain a wide range of different terms and conditions. The lease agreement does not impose any covenants. Leased asset may not be used as security for borrowing purposes.

At inception of a contract, the Local Council shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At lease commencement date, the Local Council recognises a right-of-use asset and a lease liability in its statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Local Council, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Local Council depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Local Council also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Local Council measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Local Council's incremental borrowing rate because as the lease contracts are negotiated with third parties it is not possible to determine the interest rate that is implicit in the lease. The incremental borrowing rate is the estimated rate that the Local Council would have to pay to borrow the same amount over a similar term, and with similar security to obtain an asset of equivalent value. This rate is adjusted should the lessee entity have a different risk profile to that of the Local Council.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced by lease payments that are allocated between repayments of principal and finance costs. The finance cost is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

2. Significant Accounting Policies (continued)

f. Leases (continued)

i. The Local Council is the Lessee (continued)

The lease liability is reassessed when there is a change in the lease payments. Changes in lease payments arising from a change in the lease term or a change in the assessment of an option to purchase a leased asset. The revised lease payments are discounted using the Local Council's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception being when the carrying amount of the right-of-use asset has been reduced to zero then any excess is recognised in profit or loss.

Payments under leases can also change when there is either a change in the amounts expected to be paid under residual value guarantees or when future payments change through an index or a rate used to determine those payments, including changes in market rental rates following a market rent review. The lease liability is remeasured only when the adjustment to lease payments takes effect and the revised contractual payments for the remainder of the lease term are discounted using an unchanged discount rate. Except for where the change in lease payments results from a change in floating interest rates, in which case the discount rate is amended to reflect the change in interest rates.

In May 2022, The Local Council was granted a one-year extension of lease agreement for its office space and has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

g. Retained Earnings

i. Retained Earnings

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.

h. Revenue Recognition

i. Funds received from Central Government

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs.

ii. Interest Income

Revenue is recognised as interest accrues (using the effective interest method). Interest income is included in finance revenue in the income statement.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

2. Significant Accounting Policies (continued)

h. Revenue recognition (continued)

iii. Income raised from Local Enforcement System

These are commission income earned based on the value of contraventions paid at the Local Council. Revenue is recognised upon receipt of contraventions by the Local Council.

iv. General Income

These are income received from the issuance of permits by the Local Council. Revenue is recognised upon issuance of permits.

i. Expenditures

Expenditures except personal emoluments are recognised in the income statement upon utilisation of the service or at the date of their origin.

j. Personal emoluments

Contributions toward the state pension in accordance with local legislation are recognised in profit or loss when they are due.

k. Impairment

i. Non-financial Assets

The carrying amount of the Local Council's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. 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. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

2. Significant Accounting Policies (continued)

I. Financial Instruments

i. 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.

ii. Classification and initial measurement of financial assets

Except for those receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all 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 one of the following categories:

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

In the periods presented the Local Council does not have any financial assets categorised as FVTPL 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.

All revenue and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

iii. Subsequent measurement of financial assets

Financial assets at amortised cost

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 equivalent, receivables and other receivables fall into this category of financial instruments.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

2. Significant Accounting Policies (continued)

I. Financial Instruments (continued)

iii. Subsequent movement of financial assets (continued)

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the 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 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Local 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 (ie Stage 1) while 'lifetime expected credit losses' are recognised for the second category (ie Stage 2).

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

iv. Receivables

The Local Council makes use of a simplified approach in accounting for receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Local Council uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Local Council assesses impairment of receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

v. Classification and measurement of financial liabilities

The Local Council's financial liabilities include payables, accruals and lease liabilities. 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 profit or loss are included within finance costs or finance income.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

2. Significant Accounting Policies (continued)

m. Government grants

i. Capital and operating grants

Government grants relating to operating expenditure are recognised in the profit or loss in the same period that the related expenditure is incurred.

Government grants relating to the purchase of property, plant and equipment are accounted for using the capital approach and are thus deducted from the carrying amount of the relative non-current asset.

Government grants received during the year for future construction of property, plant and equipment and operating expenditures are presented in the statement of financial position as deferred income. The costs related to the construction of property, plant and equipment which were paid with these grants are shown as Assets under Construction.

n. Financial Risk Management

i. Financial Risk Management

The Local Council's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Local Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Capital Management

The Local Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objectives are to ensure:

- that the Local Council's ability to continue as a going concern is still valid and
- that the Local Council maintains a positive working capital ratio.

To achieve the above, the Local Council carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was positive at the reporting date and has not changed significantly from the previous year. The Local Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

ii. Market Risk

Foreign Exchange Risk

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Local Council is not exposed to foreign exchange risk since it does not trade in any foreign currencies.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

2. Significant Accounting Policies (continued)

n. Financial Risk Management (continued)

iii. Credit Risk

Financial assets which potentially subject the Local Council to concentrations of credit risk consist principally of cash at bank and receivables and other receivables. The Local Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution.

The receivable balances of the Local Council are mainly composed of balances with government-related entities. Given the low risk associated with such entities, the default risk is considered to be insignificant. Given the fact that this will not result in material misstatement, the Local Council did not calculate and account for this 'expected credit loss'.

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

	2022	2021
	€	€
Class of financial assets – carrying amounts		
Receivables and other receivables	178,836	60,329
Cash and cash equivalents	286,114	294,604
	464,950	354,933

The Council does not hold any collateral or other credit enhancements to cover this credit risk.

iv. Liquidity Risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Local Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Local Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact, at year end, the Local Council has cash and cash equivalents amounting to €286,114 (2021: €294,604).

The Local Council also maintains a positive net asset position of €266,012 (2021: €275,128) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising. At 31 December 2022, the council's financial liabilities have contractual maturities which are summarised in the following page:

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

2. Significant Accounting Policies (continued)

n. Financial Risk Management (continued)

iv. Liquidity Risk (continued)

	Current		Non-Current	
	Within 1 year	1 to 5 years	Later than 5 years	
	€	€	€	
Payables	107,867	-	-	
Accruals	91,071	-	-	
Lease liabilities	-	-	-	
	198,938	-	-	

31 December 2021

	Current		Non-Current	
	Within 1 year	1 to 5 years	Later than 5 years	
	€	€	€	
Payables	18,087	-	-	
Accruals	57,183	-	-	
Lease liabilities	4,535	-	-	
	79,805	-	-	

v. Cash flow and fair value interest rate risk

Interest rate risk mainly arises through interest bearing liabilities and assets. The objective of interest rate risk management is to optimise the balance between minimising uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense. As the Local Council has no significant interest-bearing assets, the Local Council is not exposed to any variable interest rate liabilities.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

3. Funds received by the government

a. Detailed table

	2022	2021
	€	€
In terms of section 55 of the Local Council Act	818,812	798,915
Other government income	170,187	172,697
Total	988,999	971,612

4. General Income

a. Detailed table

	2022	2021
	€	€
Sale of goods and other merchandise	8	20
Income from Permits	41,140	40,971
Other income	352	1,210
Media Charges and LES pre-regional committees and commissions	1,114	2,410
Total	42,614	44,611

5. Finance Costs

a. Finance Costs

	2022	2021
	€	€
Financing Cost:		
Interest on lease liability	13	515

6. (Loss)/Profit for the year

(Loss)/Profit from operations is stated after charging the following:

a. (Loss)/Profit for the year

	2022	2021
	€	€
Amortisation of intangible asset	85	251
Staff Salaries	216,788	196,668
Depreciation of right-of-use assets	-	10,302
Depreciation of property, plant and equipment	44,017	39,656
	259,539	246,877

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

7. Personnel Emoluments

a. Wages and Salaries

Payroll costs for the year comprise of the following:

	2022	2021
	€	€
Mayor's Remuneration	19,540	15,269
Councillors' Allowances	18,576	22,601
Executive Secretary Salary and Allowances	51,875	35,746
Employees' Salaries	114,536	110,940
Social Security Contributions	12,261	12,112
Total	216,788	196,668

Contributions toward the state pension in accordance with local legislation are recognised in profit or loss when they are due.

b. Average number of employees

The average number of persons employed by the company during the year was as follows:

	2022	2021
Employees	6	6
Mayor & Councillors	9	9
Total	15	15

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

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8. Property, plant and equipment

31 December 2022

	Assets under construction €	Urban Improvements and Construction €	Plant, machinery and equipment €	Furniture and fixtures €	Motor vehicles €	Trees €	Total €
Cost							
Opening balance	39,348	3,034,576	42,801	34,369	26,999	11,529	3,189,622
Additions	337,680	114,136	4,262	105	-	-	456,183
Balance at 31 December 2022	377,028	3,148,712	47,063	34,474	26,999	11,529	3,645,805
Grants							
At 1 January	-	(1,347,043)	(1,608)	(2,892)	(15,275)	-	(1,366,818)
Additions	-	(66,970)	-	-	-	-	(66,970)
Balance at 31 December 2022	-	(1,414,013)	(1,608)	(2,892)	(15,275)	-	(1,433,788)
Depreciation and impairment losses							
Opening balance	-	(1,556,320)	(34,087)	(26,185)	(6,459)	-	(1,623,051)
Depreciation	-	(37,281)	(4,209)	(1,367)	(1,160)	-	(44,017)
Balance at 31 December 2022	-	(1,593,601)	(38,296)	(27,552)	(7,619)	-	(1,667,068)
Net Book Value							
At 1 January 2022	39,348	131,213	7,106	5,292	5,265	11,529	199,753
At 31 December 2022	377,028	141,098	7,159	4,030	4,105	11,529	544,949

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2021

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8. Property, plant and equipment (continued)

31 December 2021

	Assets under construction €	Urban Improvements and Construction €	Plant, machinery and equipment €	Furniture and fixtures €	Motor vehicles €	Trees €	Total €
Cost							
Opening balance	24,790	2,974,229	38,651	34,135	20,574	11,529	3,103,908
Additions	14,558	60,347	4,150	234	6,425	-	85,714
Balance 31 December 2021	39,348	3,034,576	42,801	34,369	26,999	11,529	3,189,622
Grants							
At 1 January	-	(1,301,004)	(1,608)	(2,892)	(15,275)	-	(1,320,779)
Additions	-	(46,039)	-	-	-	-	(46,039)
Balance 31 December 2021	-	(1,347,043)	(1,608)	(2,892)	(15,275)	-	(1,366,818)
Depreciation and impairment losses							
Opening balance	-	(1,523,154)	(30,152)	(24,790)	(5,299)	-	(1,583,395)
Depreciation	-	(33,166)	(3,935)	(1,395)	(1,160)	-	(39,656)
Balance 31 December 2021	-	(1,556,320)	(34,087)	(26,185)	(6,459)	-	(1,623,051)
Net Book Value							
At 1 January 2021	24,790	150,071	6,891	6,453	-	11,529	199,734
At 31 December 2021	39,348	131,213	7,106	5,292	5,265	11,529	199,753

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

9. Intangible assets

a. Intangible Assets

	<u>Computer software</u>
	<u>€</u>
Cost	<u>6,643</u>
Amortisation	
Balance at 31 December 2022	(923)
Charge for the year	(85)
	<u>(1,008)</u>
Grants	(5,635)
Balance at 1 January 2022	<u>85</u>
Balance at 31 December 2022	<u><u>-</u></u>

10. Leases

a. Right-of-use assets

This note provides information for leases where the Local Council is a lessee. There are no leases in place where the Council is the lessor. The Local Council has 1 contract for the lease of land and buildings which are used for its operations. The lease term is one year with the option to be renewed for a further year. The Local Council's obligations under its lease are secured by the lessor's title to the leased assets. No purchase option is included in the lease contract.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	<u>2022</u>	<u>2021</u>
	<u>€</u>	<u>€</u>
Balance brought forward	-	10,302
Additions	-	-
Depreciation expense	-	(10,302)
As at 31 December	<u>-</u>	<u>-</u>

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	<u>2022</u>	<u>2021</u>
	<u>€</u>	<u>€</u>
Balance brought forward	<u>4,535</u>	14,820
Additions	-	-
Accretion of interest	13	515
Payments	<u>(4,548)</u>	<u>(10,800)</u>
Total	<u>-</u>	<u>4,535</u>

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

10. Leases (continued)

The lease contract includes an extension option. The option is negotiated by the Local Council to provide flexibility in managing the leased-asset and align with the Local Council's business needs. The Local Council exercises significant judgement in determining whether the extension and termination option is reasonably certain to be exercised. The lease contract does not include variable payment element.

The rent amount that was classified as an expense in the profit and loss in relation to the 2022 lease extension which the council elected to account for as a short-term lease as disclosed under note 2f amounted to EUR6,952.

11. Receivables

a. Receivables

	2022	2021
	€	€
Receivables	137,196	53,744
Other receivables	41,640	6,585
Financial assets	178,836	60,329
Prepayments and accrued income	5,061	93,346
Total	183,897	153,675

Included in the receivables balance is a provision for bad debts amounting to €1,525 (2021: nil). Furthermore, bad debts written off during the year ended 31 December 2022 amounted to €1,625 (2021: nil). These are recorded as part of 'administrative expenses' in the statement of comprehensive income.

The carrying value of financial assets is considered a reasonable approximation of fair value.

General receivables are analysed as follows:

	2022	2021
	€	€
Within credit period	102,038	46,893
Exceeded credit period	35,158	5,095
Total	137,196	51,988

Included in the receivables are debtors with a carrying amount of €2,101 (2021: €5,095) which are past due at the reporting date for which the council has not provided as there has not been significant change in credit quality and the amounts are still considered recoverable. The age of financial assets past due but not impaired is as follows:

b. Receivables ageing analysis

	2022	2021
	€	€
Not more than 3 months	33,057	-
More than 3 months but not more than 6 months	-	5,095
More than 6 months	2,101	-
Total	35,158	5,095

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

11. Receivables (continued)

c. Receivables impairment reconciliation

Movement in the provision for impairment of receivables is as follows:

	2022	2021
	€	€
Balance at 1 January	118,038	121,602
(Decrease) in provision for LES debtors	(10,052)	(3,564)
Provision for impairment, December 31, 2021	107,986	118,038
Provision for impairment, December 31, 2022	107,986	118,038

Local Enforcement System (LES) debtors are stated after a specific provision for doubtful debts amounting to €107,986 (2021: €118,038).

12. Payables

a. Payables

	2022	2021
	€	€
Payables	107,867	18,087
Accruals	91,071	57,183
Financial liabilities	198,938	75,270
Other Deferred Income	-	2,109
Total	198,938	77,379

The carrying value of financial liabilities is considered to be a reasonable approximation of fair value. Payables are unsecured, interest-free and payable upon demand.

13. Cash and cash equivalents

a. Cash and cash equivalents for cash flow

Cash and cash equivalents for the purpose of the cash flow statement are as follows:

	2022	2021
	€	€
Cash on hand	314	391
Bank balances	285,800	294,213
Total cash and cash equivalents	286,114	294,504
Bank overdraft	-	(1,355)
Total cash and cash equivalents in the statement of cash flows	286,114	294,604

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

14. Commitments

a. Capital commitments

Details of capital commitments at the accounting date are as follows:

(i) Approved but not yet contracted for:

	2022	2021
	€	€
Construction of New Local Council's premises	8,500	287,675
Info Centre	-	333,318

15. Deferred income

a. Deferred revenue from government grants

	2022	2021
	€	€
At 1 January	224,693	167,818
Increase in year	318,348	102,914
Capitalised during the year	(6,856)	(46,039)
At 31 December	536,185	224,693
Comprising:		
	2022	2021
	€	€
Non-Current	271,267	152,887
Current	264,918	71,806
At 31 December	536,185	224,693

16. Contingent liabilities

The Council as at 31 December 2022 had the following pending Court case:

- case opened by a third party in front of the First Hall, claiming damages caused by a tree that fall onto the road. The Local Council is contesting the case on the basis that the particular road falls outside its responsibility.

Guarantees:

- The Council has a bank guarantee of €5,000 in favour of Building & Construction Agency (BCA) previously known as Building Regulations Office (BRO), on a third-party liability damages in connection with the restoration of the former railway embankment.

- The Council has also provided in 2022 a bank guarantee of €5,000 in favour of Building & Construction Agency (BCA) previously known as Building Regulations Office (BRO), on a third-party liability damages in connection with the construction and setting up of a Cultural Education and Information Centre at Grien L-Istazzjon, H'Attard.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

17. Related party transactions

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 Committee (Local Enforcement)	Joint control
Gozo Regional Committee	No control
North Regional Committee	No control
South Regional Committee	No control
South Eastern Regional Committee	No control
Central Regional Committee	No control
Local Enforcement System Agency	No control
Local Councils' Association	No control
Planning Authority	No control
Malta Information Technology Agency	No control
Tech.mt	No control
Transport Malta Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Infrastructure Malta Agency	No control
Department of Inland Revenue	No control
Bank of Valletta plc	No control
Wasteserv Malta Limited	No control
GreenPak	No control
ARMS Ltd	No control
ERA Monitoring Unit	No control

18. Fair value estimation

a. Fair value or revaluation as deemed cost

The nominal value less estimated credit adjustments of receivables and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair values.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

19. Summary of financial assets and liabilities

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

	2022	2021
	€	€
Current assets		
Financial assets at amortised cost:		
Receivables	178,836	60,329
Cash and cash equivalents	286,114	294,604
	464,950	354,933
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	107,867	18,087
Accruals	91,071	57,183
Lease Liabilities	-	4,535
	198,938	79,805

For the Year Ended 31 December 2022

Schedules

Operations and Maintenance

	2022	2021
	€	€
Repairs and Upkeep		
Public property	14,830	17,537
Road/street pavements	16,310	11,353
Signs	9,659	10,057
Road Markings	768	-
Office furniture and equipment	3,571	2,434
Plant and equipment	164	370
Council property	797	189
Other repair and upkeep	281	2,280
	46,380	44,220
Contractual Services		
Waste disposal	79,357	65,291
Refuse collection	321,680	212,341
Bulky refuse collection	24,627	25,244
Hiring of skips - Bins on wheels	6,608	4,531
Cleaning services	1,024	920
Road and Street Cleaning	142,902	93,970
Cleaning and Maintenance Non-urban areas	6,114	5,396
Cleaning - Public conveniences	11,552	11,558
Other contractual services	177	944
Cleaning and Maintenance - Parks & Gardens	43,107	40,297
Cleaning and Maintenance - Soft Areas	17,590	43,497
Street lighting	10,057	17,910
Experts	383	6,890
Twinning	4,753	-
Local enforcement expenses	799	1,253
	670,730	530,042
Total Operations and Maintenance Costs	717,110	574,262

Schedules (continued)

Schedule of Administrative Expenses

	2022	2021
	€	€
Administrative expenses		
Utilities	12,000	16,036
Other repairs and upkeep	8,928	7,043
Rent	8,187	799
National and International Memberships	55	55
Office services	14,575	17,760
Travel	3,266	-
Transport	11,694	4,942
Information services	7,292	17,191
Bank charges	1,248	1,371
Lease of equipment	2,296	2,050
Insurance coverage	7,448	5,149
Professional services	28,018	56,554
Entertainment	916	637
Social events	8,998	2,608
Cultural events	1,384	2,678
Community services	-	30,947
Bad debts written off	1,625	-
Increase in provision for bad debts	1,525	-
Depreciation and amortisation	44,102	50,210
Total	163,557	216,030