

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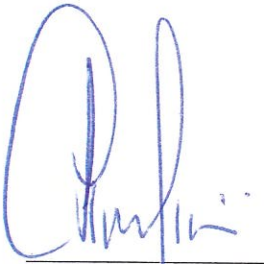
Statement of Local Council Members' and Executive Secretary's Responsibilities

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 22 February 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**

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

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

Statement of Comprehensive Income

For the Year Ended 31 December 2022

		<u>2022</u>	<u>2021</u>
	Notes	€	€
Revenue			
Funds received from Central Government	3.	818,812	971,612
Income raised from Bye-Laws and sale of merchandise	4.	41,869	-
Income raised from Local Enforcement System	4.	4,543	4,107
General Income	4.	149,090	44,611
		<u>1,014,314</u>	<u>1,020,330</u>
Expenditure			
Personnel Emoluments	7.	(215,437)	(196,668)
Operations and maintenance		(761,113)	(574,262)
Administration and other expenditure		(146,022)	(216,030)
		<u>(1,122,572)</u>	<u>(986,960)</u>
Profit/(Loss) from operations		<u>(108,258)</u>	33,370
Finance Income		-	-
Finance costs	5.	-	(515)
Loss on disposal of assets		-	-
Profit before tax		<u>(108,258)</u>	32,855
Profit for the year - total comprehensive income	6.	<u>(108,258)</u>	<u>32,855</u>

The notes on pages 9 to 27 form an integral part of these financial statements.

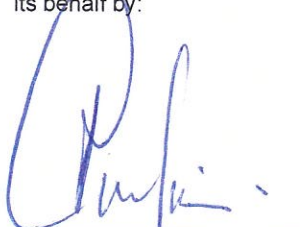
Statement of Financial Position

For the Year Ended 31 December 2022


	Notes	2022 €	2021 €
ASSETS			
Non-current assets			
Property, plant and equipment	8.	524,090	199,753
Intangible assets		-	85
Total non-current assets		524,090	199,838
Current assets			
Inventories	11.	-	-
Trade and other receivables	12.	163,022	153,675
Cash and cash equivalents	14.	286,114	294,604
Total current assets		449,136	448,279
TOTAL ASSETS		973,226	648,117
EQUITY AND LIABILITIES			
Equity			
Retained earnings		231,897	340,155
Total equity		231,897	340,155
Liabilities			
Non-current liabilities			
Deferred income	16.	357,054	152,887
Total non-current liabilities		357,054	152,887
Current liabilities			
Lease liabilities	10.	5,750	4,535
Deferred income	16.	179,132	71,806
Trade and other payables	13.	199,393	77,379
Bank overdraft	14.	-	1,355
Total current liabilities		384,275	155,075
Total liabilities		741,329	307,962
TOTAL EQUITY AND LIABILITIES		973,226	648,117

The notes on pages 9 to 27 form an integral part of these financial statements.

These financial statements on pages 5 to 29 were approved by the Local Council on 22 February 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 Funds	Total Equity
	€	€
Balance as at 1 January 2022	340,155	340,155
Comprehensive income		
Loss for the year - total comprehensive income	(108,258)	(108,258)
Transactions with the owners		
Balance as at 31 December 2022	231,897	231,897

	Retained Funds	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 27 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:			
Profit/(loss) from operations		(108,258)	32,855
Depreciation of property, plant and equipment and right-of-use assets	8.	53,339	49,958
Amortisation of intangible assets		-	251
Loss on disposal of assets		-	-
Movement in provision for doubtful debts		825	-
Interest receivable		-	-
Lease interest payable		-	515
Operating profit before working capital changes		(54,094)	83,579
Decrease in inventories		-	2,144
Decrease (increase) in trade and other receivables		(9,564)	60,897
Increase (decrease) in trade and other payables		432,702	(28,330)
Government grants released		-	-
Net cash flows from/(used in) operating activities		369,044	118,290
Cash from investing activities:			
Interest received		-	-
Purchase of intangible fixed assets		-	-
Purchase of property, plant & equipment		(455,906)	(85,714)
Receipt of grant		79,726	102,914
Net cash flows (used in) investing activities		(376,180)	17,200
Cash from financing activities:			
Interest paid		-	(515)
Payment of principal portion of lease liabilities		-	(10,285)
Net cash flows from/(used in) financing activities		-	(10,800)
Net movement in cash and cash equivalents		(7,136)	124,690
Cash and cash equivalents at beginning of year		293,250	168,559
Cash and cash equivalents at end of year	14.	286,114	293,249

The notes on pages 9 to 27 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. 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).

The COVID-19 pandemic has impacted the Council's operations and functions. In line with the recommendations issued by the Maltese Public Health Authorities, the Council implemented a number of measures to offer its services in a safe environment to the residents, general public, councillors and employees.

ii. 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.

iii. 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.

iv. 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. Entity information

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 6, Main Street, Attard.

b. 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.

c. 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

d. 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 Statement of Comprehensive Income 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)

d. 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	10%

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.

e. 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) in accordance with Section 24 of GAPSE or the date that the asset is derecognised.

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)

f. 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.

g. Trade and other receivables

i. Trade and other receivables

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 of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due to the original terms of the receivables.

h. 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.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Local Council.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- a. fixed payments (include in-substance fixed payments), less any lease incentives receivable.
- b. variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security, and conditions.

To determine the incremental borrowing rate, the Local Council:

- a. where possible, uses recent third-party financing received by the lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

2. Significant Accounting Policies (continued)

h. Leases (continued)

i. The Local Council is the lessee (continued)

b. uses a build up approach that starts with a risk free interest rate adjusted for credit risk for leases held by the Council, where there is no third-party financing; and

c. makes adjustments specific to the lease.

The Council is not exposed to potential future increases in variable lease payments. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The right-of-use assets are also subject to impairment. (See Note 2m).

Extension option

An extension option is included in the property leased by the Local Council. The option is to maximise operational flexibility in terms of managing the assets used in the Local Council's operations. The extension option held is exercisable only by the Local Council and not by the lessor.

In determining the lease term, the Council considers all facts and circumstances that create an economic and operational incentive to exercise an extension option. Extension option is only included in the lease term if the lease is reasonably certain to be extended.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Local Council becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

The Local Council has elected to account for short-term leases and leases of low-value assets using the practical expedients. These leases relate to items of office equipment such as IT equipment. 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.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

2. Significant Accounting Policies (continued)

i. Surplus and deficits

i. Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares are recognised as a deduction from equity. 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.

j. Borrowings

i. Interest-bearing borrowings

Borrowings are initially recognised at fair value less any related transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost. Any difference between cost and redemption value is recognised in the statement of comprehensive income over the entire period of the borrowings on an effective interest basis.

Borrowings are classified as current liabilities unless Attard Local Council has an unconditional right to defer the settlement of the liability for at least 12 months after the statement of financial position date.

k. Trade payables

i. Trade payables

Trade and other payables are stated at cost, which approximates fair value due to the short term nature of these liabilities.

l. Revenue recognition

i. Revenue from Central Government

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

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

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)

m. Impairment

i. Financial Assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk circumstances.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

ii. Non-financial Assets

The carrying amount of the Company's non-financial assets, other than investment property, 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.

n. Financial instruments

i. Financial assets

Financial assets are initially measured at fair value plus directly attributable transaction costs, except for financial assets at fair value through profit or loss, which are measured only at fair value.

Financial assets of the Local Council are classified into loans and receivables upon initial recognition:

The classification determines subsequent measurement and any resulting income and expense is recognised in profit or loss or in other comprehensive income.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

2. Significant Accounting Policies (continued)

n. Financial instruments (continued)

i. Financial assets (continued)

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

ii. Financial Liabilities

Financial liabilities are initially measured at fair value plus transaction costs. The Council's financial liabilities include other payables. These are subsequently stated at their nominal amount which is a reasonable approximation of fair value.

o. Government grants

i. Capital and operating grants

Government grants relating to operating expenditure are recognised in the Statement of Comprehensive Income 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.

p. 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

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

2. Significant Accounting Policies (continued)

p. Financial Risk Management (continued)

ii. Market Risk (continued)

net investments in foreign operations. The Local Council is not exposed to foreign exchange risk since it does not trade in any foreign currencies.

iii. Credit Risk

Financial assets which potentially subject the Local Council to concentrations of credit risk consist principally of cash at bank and debtors. 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		
Trade and other receivables	163,022	146,193
Cash and cash equivalents	286,114	294,604
	449,136	440,749

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 €286,115 (2021: €294,604).

The Local Council also maintains a positive net asset position of €232,897 (2021: €340,155) 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)

p. Financial Risk Management (continued)

iv. Liquidity Risk (continued)

	Current		Non-Current
	Within 1 year	1 to 5 years	Later than 5 years
	€	€	€
Payables	107,564	-	-
Accruals	89,720	-	-
Lease liabilities	-	-	-
	197,284	-	-

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
Total	818,812	798,915

4. General Income

a. Finance costs

	2022	2021
	€	€
Sale of goods and other merchandise	8	20
Income from Permits	41,861	40,971
Donations	-	1,210
Media Charges and LES pre-regional committees and commissions	4,543	6,517
Other Government Income	149,090	172,697
Total	195,502	221,415

5. Net Financing costs

a. Income tax expense

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

6. Profit for the year

Operating profit/(loss) is stated after charging the following:

a. Profit/Loss for the Year

	2022	2021
	€	€
Amortisation of intangible asset	85	251
Staff salaries	215,437	196,668
Depreciation of tangible assets	53,339	49,959
	268,861	246,877

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

7. Staff Salaries

a. Wages and Salaries

Payroll costs for the year comprise of the following:

	2022	2021
	€	€
Mayor's Remuneration	17,528	15,269
Councillors' Allowances	20,588	22,601
Executive Secretary Salary and Allowances	50,524	35,746
Employees' Salaries	114,536	110,940
Social Security Contributions	12,261	12,112
Total	215,437	196,668

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	330,436	121,106	4,264	105	-	-	455,909
Disposals	-	-	-	-	-	-	-
Balance at 31 December 2022	369,784	3,155,681	47,063	34,474	26,999	11,529	3,645,528
Grants							
At 1 January	-	(1,347,043)	(1,608)	(2,892)	(15,273)	-	(1,366,815)
Additions	-	(79,726)	-	-	-	-	(79,726)
Balance at 31 December 2022	-	(1,426,769)	(1,608)	(2,892)	(15,273)	-	(1,446,541)
Depreciation and impairment losses							
Opening balance	-	(1,556,320)	(34,088)	(26,185)	(6,459)	-	(1,623,052)
Depreciation	-	(45,111)	(4,209)	(1,367)	(1,160)	-	(51,847)
Balance at 31 December 2022	-	(1,601,431)	(38,297)	(27,552)	(7,619)	-	(1,674,899)
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	369,784	127,481	7,159	4,030	4,107	11,529	524,090

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2022

8. Property, plant and equipment (continued)

31 December 2021	Assets under construction €	Improvements and construction €	Urban Rights of use of assets (IFRS 16) €	Plant, machinery and equipment €	Furniture and fixtures €	Motor vehicles €	Trees €	Total €
Cost								
Opening balance	24,790	2,974,229	20,605	38,651	34,135	20,574	11,529	3,124,513
Additions	14,558	60,347	-	4,150	234	6,425	-	85,714
Disposals	-	-	-	-	-	-	-	-
Balance 31 December 2021	39,348	3,034,576	20,605	42,801	34,369	26,999	11,529	1,913,863
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)	(1,347,043)	-	(1,608)	(2,892)	(15,275)	-	(1,366,818)
Depreciation and impairment losses								
Opening balance	-	(1,523,154)	(10,303)	(30,152)	(24,790)	(5,299)	-	(1,593,698)
Depreciation	(33,166)	(10,302)	(3,935)	(1,395)	(1,160)	-	(49,958)	(33,166)
Balance 31 December 2021	-	(1,556,320)	(20,605)	(34,087)	(26,185)	(6,459)	-	(1,643,656)
Net Book Value								
At 1 January 2021	24,629	150,071	10,302	6,891	6,453	-	11,529	210,036
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

	Computer software €	Total €
	6,643	6,643
Cost	6,643	6,643
Amortisation		
Balance at 31 December 2022	(923)	(923)
Charge for the year	(85)	(85)
Balance at 31 December 2022	-	-

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:

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

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

	2022 €	2021 €
Balance brought forward	4,535	14,820
Additions	1,545	-
Accretion of interest	-	515
Payments	-	(10,800)
Total	5,750	4,535

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

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.

11. Inventories

a. Inventories

	2022	2021
	€	€
Raw materials, components	9,324	9,324
Write down for slow moving stock	(9,324)	(9,324)
Total	-	-

12. Trade and other receivables

a. Trade and Other Receivables

	2022	2021
	€	€
Trade receivables	115,464	52,381
Prepayments	5,061	10,016
Other receivable	42,497	6,744
Total	163,022	69,141

General receivables are analysed as followed:

	2022	2021
	€	€
Within credit period	-	46,893
Exceeded credit period	2,801	5,095
Total	2,801	51,988

Included in the receivables are debtors with a carrying amount of €2,801 (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:

a. Trade and other receivables ageing analysis

	2022	2021
	€	€
Not more than 3 months	120,663	-
More than 3 months but not more than 6 months	2,801	5,095
More than 6 months	-	-
Total	123,464	5,095

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

Receivables (continued)

b. 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	-	(3,564)
Provision for impairment, December 31, 2021	118,038	118,038
Provision for impairment, December 31, 2022	118,038	118,038

Local Enforcement System (LES) debtors are stated after a specific provision for doubtful debts amounting to €118,038 (2020: €121,602).

13. Trade and other payables

a. Trade and Other Payables

	2022	2021
	€	€
Trade payables	107,564	18,087
Accruals	89,720	57,192
Other deferred income	2,109	2,109
Total	199,393	77,378

14. 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	294,214
Bank overdraft	-	(1,355)
Total cash and cash equivalents in the statement of cash flows	286,114	293,250

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

15. 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

16. Deferred income Government grants

a. Deferred revenue government grants

	2022	2021
	€	€
At 1 January	224,693	167,818
Increase in year	318,349	102,914
Reversal of deferred income	-	-
Capitalised during the year	(6,856)	(46,039)
At 31 December	536,186	224,693

17. 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.

Guarantee:

- 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.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

18. 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

19. 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.

For the Year Ended 31 December 2022

Schedules

Operations and Maintenance

	2022	2021
	€	€
<i>Repairs and Upkeep</i>		
Public property	12,813	17,537
Road/street pavements	-	11,353
Signs	-	10,057
Road Markings	-	-
Office furniture and equipment	-	2,434
Plant and equipment	-	370
Council property	-	189
Other repair and upkeep	46,380	2,280
	59,193	44,220
<i>Contractual Services:</i>		
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	44	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
Contract & Project Management	24,445	-
Street lighting	10,057	17,910
Consultation fees	6,873	-
Rent	1,235	-
Experts	-	6,890
Twinning	4,753	-
Local enforcement expenses	799	1,253
	701,920	530,042
Total Operations and Maintenance Costs	761,113	574,262

Schedules (continued)

Schedule of Administrative Expenses

	2022	2021
	€	€
Administrative expenses		
Utilities	6,639	16,036
Other repairs and upkeep	-	7,043
Rent	11,500	799
National and International Memberships	1,365	55
Office Materials & Supplies	1,475	
Office services	15,245	17,760
Travel	3,266	-
Office cleaning	980	-
Transport	11,694	4,942
Information services	7,292	17,191
Bank charges	1,242	1,371
Lease of equipment	2,296	2,050
Insurance coverage	7,448	5,149
Professional services	10,104	56,554
Entertainment	916	637
Social events	-	2,608
Cultural events	-	2,678
Community services	8,770	30,947
Donations	-	-
Bad debts written off	1,626	-
Increase in provision for bad debts	825	
Depreciation and amortisation	53,339	50,210
Total	146,022	216,030

