

Attard Local Council

Annual Report and Financial Statements

For the Year Ended 31 December 2023

Attard Local Council

For the Year Ended 31 December 2023

Contents

	<u>Page</u>
Statement of Local Council Members' and Executive Secretary's Responsibilities	1
Report of the Independent Local Government Auditor to the Auditor General	2 – 4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 - 29

Attard Local Council

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 21st February 2024 and signed on its behalf by:

Signed

Mr. Stefan Cordina
Mayor

Signed

Ms. Marica Mifsud Mintoff
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

Attard Local Council

Statement of Comprehensive Income

For the Year Ended 31 December 2023

		2023	2022
	Notes	€	€
Revenue			
Funds received from Central Government	3	830,332	988,999
Income raised from Local Enforcement System		4,485	3,428
General Income	4	55,919	42,614
		890,736	1,035,041
Expenditure			
Personnel Emoluments	7	(237,896)	(216,788)
Operations and maintenance		(518,115)	(717,110)
Administration and other expenditure		(202,037)	(163,557)
		(958,048)	(1,097,455)
Loss from operations		(67,312)	(62,414)
Finance costs	5	-	(13)
Other income		-	2,109
		(67,312)	(60,318)
Loss before tax		(67,312)	(60,318)
Loss for the year -total comprehensive loss	6	(67,312)	(60,318)

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

Attard Local Council

Statement of Financial Position

For the Year Ended 31 December 2023

		2023	2022
	Notes	€	€
ASSETS			
Non-current assets			
Property, plant and equipment	8	606,552	544,949
Total non-current assets		606,552	544,949
Current assets			
Receivables	11	258,520	183,897
Cash and cash equivalents	13	59,375	286,114
Total current assets		317,895	470,011
TOTAL ASSETS		924,447	1,014,960
EQUITY AND LIABILITIES			
Equity			
Retained earnings		212,525	279,837
Total equity		212,525	279,837
Liabilities			
Non-current liabilities			
Deferred income	15	198,259	271,267
Current liabilities			
Deferred income	15	268,150	264,918
Payables	12	245,513	198,938
Total current liabilities		513,663	463,856
Total liabilities		711,922	735,123
TOTAL EQUITY AND LIABILITIES		924,447	1,014,960

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 21st February 2024 and were signed on its behalf by:

Signed

Mr. Stefan Cordina
Mayor

Signed

Ms. Marica Mifsud Mintoff
Executive Secretary

Attard Local Council

Statement of Changes in Equity

For the Year Ended 31 December 2023

	Retained Earnings	Total Equity
	€	€
Balance as at 1 January 2023	279,837	279,837
Comprehensive income		
Loss for the year - total comprehensive loss	(67,312)	(67,312)
Balance as at 31 December 2023	215,160	215,160

	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)
Balance at 31 December 2022	279,837	279,837

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

Attard Local Council

Statement of Cash Flows

For the Year Ended 31 December 2023

	Notes	2023 €	2022 €
Cash from operating activities:			
Loss from operations		(67,312)	(60,318)
Depreciation of property, plant and equipment and right-of-use assets	6	68,702	44,017
Amortisation of intangible assets	9	-	85
Movement in provision for doubtful debts	11	-	1,525
Bad debts written off	11	-	1,625
Lease interest payable	10	-	13
Operating profit/(loss) before working capital changes		1,390	(13,053)
Decrease in inventories		-	-
Increase in receivables		(74,623)	(33,372)
(Decrease)/Increase in payables		(23,201)	121,559
Net cash flows from operating activities		(97,824)	75,134
Cash from investing activities:			
Purchase of property, plant & equipment		(633,203)	(456,183)
Receipt of grant		502,898	378,462
Net cash flows (used in)/from investing activities		(130,305)	(77,721)
Cash from financing activities:			
Interest paid		-	(13)
Payment of principal portion of lease liabilities		-	(4,535)
Net cash flows (used in) financing activities		-	(4,548)
Net movement in cash and cash equivalents		(226,739)	(7,135)
Cash and cash equivalents at beginning of year		286,114	293,249
Cash and cash equivalents at end of year	13	59,375	286,114

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

Attard Local Council

Notes to the Financial Statements

For the Year Ended 31 December 2023

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 and reporting 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.

Attard Local Council

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2023

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 2023 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 2023

Some accounting pronouncements which have become effective from 1 January 2023 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.

Attard Local Council

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2023

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	10%
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.

Attard Local Council

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2023

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.

Attard Local Council

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2023

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 had 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 were recognised as an expense in profit and loss on a straight-line basis over the lease term. In June 2023, an additional extension was granted for a further six months till December 2023, which was also accounted for as a short-term lease.

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.

Attard Local Council

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2023

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.

Attard Local Council

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2023

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.

Attard Local Council

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2023

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.

Attard Local Council

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2023

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.

Attard Local Council

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2023

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:

	2023	2022
	€	€
Class of financial assets – carrying amounts		
Receivables and other receivables	176,010	178,836
Cash and cash equivalents	59,375	286,114
	235,385	464,950

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 €59,375 (2022: €286,114).

The Local Council also maintains a positive net asset position of €212,525 (2022: €279,837) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising. At 31 December 2023, the council's financial liabilities have contractual maturities which are summarised in the following page:

Attard Local Council

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2023

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	164,227	-	-	-
Accruals	81,286	-	-	-
Lease liabilities	-	-	-	-
	245,513	-	-	-

31 December 2022

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

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.

Attard Local Council

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2023

3. Funds received from central government

a. Detailed table

	2023	2022
	€	€
In terms of section 55 of the Local Council Act	828,508	818,812
Other government income	1,824	170,187
Total	830,332	988,999

4. General Income

a. Detailed table

	2023	2022
	€	€
Sale of goods and other merchandise	12	8
Income from Permits	44,123	41,140
Other income	10,212	352
Media Charges and LES pre-regional committees and commissions	1,572	1,114
Total	55,919	42,614

5. Finance Costs

a. Finance Costs

	2023	2022
	€	€
Financing Cost:		
Interest on lease liability	-	13

6. (Loss)/Profit for the year

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

a. (Loss)/Profit for the year

	2023	2022
	€	€
Amortisation of intangible asset	-	85
Staff Salaries	237,896	216,788
Depreciation of tangible assets	68,702	44,017
Total	306,598	259,539

Attard Local Council

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2023

7. Personnel Emoluments

a. Wages and Salaries

Payroll costs for the year comprise of the following:

	2023	2022
	€	€
Mayor's Remuneration	18,400	19,540
Councillors' Allowances	20,202	18,576
Executive Secretary Salary and Allowances	41,917	51,875
Employees' Salaries	142,944	114,536
Social Security Contributions	14,433	12,261
Total	237,896	216,788

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:

	2023	2022
Employees	6	6
Mayor & Councillors	9	9
Total	15	15

Attard Local Council

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2023

22

8. Property, plant and equipment

31 December 2023

	Assets under construction €	Urban Improvements and Construction €	Plant, machinery and equipment €	Furniture and fixtures €	Motor vehicles €	Trees €	Total €
Cost							
Opening balance	377,028	3,148,712	47,063	34,474	26,999	11,529	3,645,805
Movement	(497)	631,166	2,534	-	-	-	633,203
Balance at 31 December 2023	376,531	3,779,878	49,597	34,474	26,999	11,529	4,279,008
Grants							
At 1 January	-	(1,414,013)	(1,608)	(2,892)	(15,275)	-	(1,433,788)
Additions	-	(502,898)	-	-	-	-	(502,898)
Balance at 31 December 2023	-	(1,916,911)	(1,608)	(2,892)	(15,275)	-	(1,936,686)
Depreciation and impairment losses							
Opening balance	-	(1,593,601)	(38,296)	(27,552)	(7,619)	-	(1,667,068)
Depreciation	-	(62,240)	(3,935)	(1,367)	(1,160)	-	(68,702)
Balance at 31 December 2023	-	(1,655,841)	(42,231)	(28,919)	(8,779)	-	(1,735,770)
Net Book Value							
At 1 January 2023	377,028	141,098	7,159	4,030	4,105	11,529	544,949
At 31 December 2023	376,531	207,126	5,758	2,663	2,945	11,529	606,552

Attard Local Council

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2023

23

8. Property, plant and equipment (continued)

31 December 2022

	Assets under construction €	Urban Plant, machinery Improvements and Construction €	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 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 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 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

Attard Local Council

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2023

9. Intangible assets

a. Intangible Assets

	2023	2022
	Computer software €	Computer software €
Cost	6,643	6,643
Amortisation		
Opening balance	(1,008)	(923)
Charge for the year	-	(85)
	(1,008)	(1,008)
Grants	(5,635)	(5,635)
Balance at 1 January	-	85
Balance at 31 December	-	-

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:

	2023	2022
	€	€
Balance brought forward	-	-
Additions	-	-
Depreciation expense	-	-
As at 31 December	-	-

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

	2023	2022
	€	€
Balance brought forward	-	4,535
Additions	-	-
Accretion of interest	-	13
Payments	-	(4,548)
Total	-	-

Attard Local Council

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2023

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 2023 lease extension which the council elected to account for as a short-term lease as disclosed under note 2f amounted to €12,000 (2022: €6,952).

11. Receivables

a. Receivables

	2023	2022
	€	€
Receivables	13,902	137,196
Other receivables	162,108	41,640
Financial assets	176,010	178,836
Prepayments and accrued income	82,510	5,061
Total	258,520	183,897

Included in the receivables balance is a provision for bad debts amounting to €709 (2022: €1,525). Furthermore, bad debts written off during the year ended 31 December 2023 amounted to €916 (2022: €1,625). 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.

	2023	2022
	€	€
Within credit period	236	100,701
Exceeded credit period	13,666	36,495
Total	13,902	137,196

General receivables are analysed as follows:

Included in the receivables are debtors with a carrying amount of €13,666 (2022: €2,101) 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

	2023	2022
	€	€
Not more than 3 months	8,899	33,058
More than 3 months but not more than 6 months	-	-
More than 6 months	4,767	3,437
Total	13,666	36,495

Attard Local Council

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2023

11. Receivables (continued)

c. Receivables impairment reconciliation

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

	2023	2022
	€	€
Balance at 1 January	107,986	118,038
(Decrease) in provision for LES debtors	(2,365)	(10,052)
Provision for impairment, December 31, 2022	105,621	107,986
Provision for impairment, December 31, 2023	105,621	107,986

Local Enforcement System (LES) debtors are stated after a specific provision for doubtful debts amounting to €105,621 (2022: €107,986).

12. Payables

a. Payables

	2023	2022
	€	€
Payables	164,227	107,867
Accruals	81,286	91,071
Financial liabilities	245,513	198,938
Other Deferred Income	-	-
Total	245,513	198,938

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:

	2023	2022
	€	€
Cash in hand	300	314
Bank balances	59,075	285,800
Total cash and cash equivalents	59,375	286,114
Bank overdraft	-	-
Total cash and cash equivalents in the statement of cash flows	59,375	286,114

Attard Local Council

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2023

14. Commitments

a. Capital commitments

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

(i) Approved but not yet contracted for:

	2023	2022
	€	€
Construction of New Local Council's premises	-	8,500
Embellishment of Public Garden at Ġnien il-Palma	296,491	-
Upkeep and Maintenance of Parks, Gardens, and Soft Areas	22,890	-

15. Deferred income

a. Deferred revenue from government grants

	2023	2022
	€	€
At 1 January	536,185	224,693
Increase in year	281,073	318,348
Capitalised during the year	(350,849)	(6,856)
At 31 December	466,409	536,185
Comprising:		
	2023	2022
	€	€
Non-Current	198,259	271,267
Current	268,150	264,918
At 31 December	466,409	536,185

16. Contingent liabilities

The Council as at 31 December 2023 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 damage 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 damage in connection with the construction and setting up of a Cultural Education and Information Centre at Ġnien L-Istazzjon, H'Attard.

Attard Local Council

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2023

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.

Attard Local Council

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2023

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:

	2023	2022
	€	€
Current assets		
Financial assets at amortised cost:		
Receivables	176,010	178,836
Cash and cash equivalents	59,375	286,114
Total current assets	235,385	464,950
Current liabilities		
Financial liabilities measured at amortised cost:		-
Payables	164,227	107,867
Accruals	81,286	91,071
Lease Liabilities	-	-
Total current liabilities	245,513	198,938

For the Year Ended 31 December 2023

Schedules

Operations and Maintenance

	2023	2022
	€	€
Repairs and Upkeep		
Public property	2,920	14,830
Road/street pavements	12,141	16,310
Signs	14,341	9,659
Road Markings	539	768
Office furniture and equipment	3,082	3,571
Plant and equipment	1,055	164
Council property	55	797
Other repair and upkeep	-	281
	34,133	46,380
Contractual Services:		
Waste disposal	86,795	79,357
Refuse collection	71,657	321,680
Bulky refuse collection	21,338	24,627
Skips refuse collection	4,702	6,608
Cleaning services	1,080	1,024
Road and Street Cleaning	188,446	142,902
Cleaning and Maintenance Non-urban areas	16,489	6,114
Cleaning - Public conveniences	25,087	11,552
Other contractual services	-	177
Cleaning and Maintenance - Parks & Gardens	36,019	43,107
Cleaning and Maintenance - Soft Areas	16,413	17,590
Street lighting	14,443	10,057
Experts	472	383
Twinning	-	4,753
Local enforcement expenses	1,041	799
	483,982	670,730
Total Operations and Maintenance Costs	518,115	717,110

Attard Local Council

Schedules (continued)

Schedule of Administrative Expenses

	2023	2022
	€	€
Administrative expenses		
Utilities	12,398	12,000
Other repairs and upkeep	14,223	8,928
Rent	12,610	8,187
National and International Memberships	55	55
Office services	8,869	14,575
Travel	-	3,266
Transport	10,384	11,694
Information services	7,662	7,292
Bank charges	1,344	1,248
Lease of equipment	1,819	2,296
Insurance coverage	8,616	7,448
Professional services	25,291	28,018
Entertainment	1,150	916
Social events	12,031	8,998
Cultural events	15,384	1,384
Community services	-	-
Bad debts written off	916	1,625
Increase in provision for bad debts	(816)	1,525
Depreciation and amortisation	68,701	44,102
Donations	1,400	-
Total	202,037	163,557