



L-Intarfa Local Council

Annual Report and Financial Statements
31 December 2023

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

The Local Councils (Financial) Regulations 1993 require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's comprehensive income for the period and of the Council's retained funds at the end of the period. 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, 1993 and the Local Council (Financial) Procedures, 1996.

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 1993, and the Local Council (Financial) Procedures 1996. The Executive Secretary is also responsible for safeguarding the assets of the Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Local Council on the 22 April 2024 and signed on its behalf by:

Kyle Mifsud
Mayor

Josette Micallef
Executive Secretary

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2023 €	2022 €
Income			
Funds received from central government	3	337,024	349,331
Income raised under Local Enforcement System	4	852	782
General income	5	18,237	7,348
Income from Bye Law	6	206	136
		356,319	357,597
Expenditure			
Personal emoluments	7	112,058	114,846
Operations and maintenance	8	144,904	144,250
Administrative and other expenditure	9	87,128	100,065
		344,090	359,161
Operating profit/(loss) for the year		12,229	(1,564)
Profit/(Loss) for the year		12,229	(1,564)
Total comprehensive income/(expenditure) for the year		12,229	(1,564)

The notes on pages 6 to 26 form an integral part of these financial statements

Statement of Financial Position

	Notes	2023 €	2022 €
ASSETS			
Non Current assets			
Intangible asset	10	-	74
Tangible assets			
Property, plant and equipment	11	311,524	569,263
		<u>311,524</u>	<u>569,337</u>
Current assets			
Inventories	12	-	3,805
Receivables	13	160,219	65,320
Cash and cash equivalents	14	800,209	111,397
		<u>960,428</u>	<u>180,522</u>
Total Assets		<u>1,271,952</u>	<u>749,859</u>
Reserves			
Retained Fund		248,148	235,919
Non Current Liabilities			
Payables	15	727,069	375,057
		<u>727,069</u>	<u>375,057</u>
Current Liabilities			
Payables	15	296,735	138,883
		<u>296,735</u>	<u>138,883</u>
Total Liabilities		<u>1,023,804</u>	<u>513,940</u>
Total Reserves and Liabilities		<u>1,271,952</u>	<u>749,859</u>

These financial statements were approved by the Local Council on the 22 April 2024 and are signed on its behalf by:

Kyle Mifsud
Mayor

Josette Micallef
Executive Secretary

The notes on pages 6 to 26 form an integral part of these financial statements

Statement of Changes in Equity

	Retained earnings €	Total €
Balance at 1 January 2022	237,483	237,483
Total comprehensive expenditure for the year	(1,564)	(1,564)
Balance at 31 December 2022	235,919	235,919
Balance at 1 January 2023	235,919	235,919
Total comprehensive income for the year	12,229	12,229
Balance at 31 December 2023	248,148	248,148

The notes on pages 6 to 26 form an integral part of these financial statements

Statement of Cash Flows

	Notes	2023 €	2022 €
Cash flows from operating activities			
Profit/(Loss) for the year		12,229	(1,564)
Adjustments for:			
Depreciation	11a	15,360	17,015
Amortisation charge	10	74	116
Provision for bad debts		-	(198)
		27,663	15,369
Surplus for the period before working capital movements		27,663	15,369
Decrease in inventories		3,805	189
(Increase) in receivables		(94,899)	(16,970)
Increase in payables		509,867	86,534
		446,436	85,122
Net cash inflow from operating activities		446,436	85,122
Cash flows used in investing activities			
Payment to acquire property, plant and equipment	11a	(558,157)	(137,557)
Disposal of property, plant and equipment	11a	-	968
		(558,157)	(136,589)
Net cash used in investing activities		(558,157)	(136,589)
Cash flows generated from financing activities			
Grants		800,533	40,243
		800,533	40,243
Net cash generated from financing activities		800,533	40,243
		688,812	(11,224)
Movement in cash and cash equivalents		688,812	(11,224)
		111,397	122,621
Cash and cash equivalents at the beginning of the year		111,397	122,621
Cash and cash equivalents at the end of the year	14	800,209	111,397

Notes to the Financial Statements For the year ended 31 December 2023

1. Statutory Information

L-Imtarfa Local Council is the local authority of L-Imtarfa setup in accordance with the Local Councils Act. The Office of the Local Council is situated at at 'Town Centre', Triq ir-Rigimenti Maltin, L-Imtarfa.

2. Material accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Basis of preparation

The financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap 363). The financial statements are prepared under the historical cost convention, in accordance to the requirements of International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

b. Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires management to make judgements, 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 recognized in the period in which the estimates are revised and in any future periods affected.

However, in the opinion of the Council members, there are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

Notes to the Financial Statements For the year ended 31 December 2023

2. Material accounting policies – continued

c. New or revised standards or interpretations

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 and amendments that are effective for the first time in 2023 and could be applicable to the Local Council are:

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)

These amendments do not have a significant impact on these financial statements and therefore no disclosures have been made.

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

Standards and amendments that are not yet effective and have not been adopted early by the Local Council include:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- Lack of Exchangeability (Amendments to IAS 21)

These amendments are not expected to have a significant impact on the financial statements in the period of initial application and therefore no disclosures have been made.

The Local Council's management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Local Council's financial statements.

Notes to the Financial Statements For the year ended 31 December 2023

2. Material accounting policies – continued

d. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the L-Imtarfa Local Council and the revenue can be reliably measured, regardless of when the payment is received. Revenue is recognised upon transfer of funds from the Central Government when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the income statement as it accrued under finance income.

e. Functional and presentation currency

Items included in the Local Council's financial statements are measured using the currency of the primary economic environment in which the entity operates. The Local Council's financial statements are presented in Euro, which is the Local Council's functional currency.

f. Local Enforcement System

L-Imtarfa Local Council forms part of the Regjun Tramuntana. On 1st September 2011, all LES funds were diverted to five regions. With effect from 1st September 2011, the only income attributable to the Council is commission income based on the value of contraventions paid at L-Imtarfa Local Council. In line with Memo issued from the Department for Local Government dated 30th September 2015, the LES operations started gradually being phased out from the Regional Committee towards the Local Enforcement System Agency (LESA) with effect from 1st October 2015, until December 2015.

Prior to 1st September 2011, L-Imtarfa Local Council formed part of the Birkirkara Joint Committee. The amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the Joint Committee after deducting the related expenses, which is accounted for on a cash basis, and the administrative charges to Regional Committees.

g. Intangible assets

Intangible assets comprise computer software. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of 25% using the straight-line method. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Where an indication of impairment exists, in that the carrying amount of an intangible asset is greater than its estimated recoverable amount, a charge is made to write down the value of the asset to its estimated recoverable amount (Accounting policy (i)).

Notes to the Financial Statements For the year ended 31 December 2023

2. Material accounting policies – continued

h. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss to date. Depreciation is calculated on a monthly basis using the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives as follows:

• Land	0%
• Trees	0%
• Buildings	1%
• Office furniture and fittings	7.5%-52.21%
• Construction works	10%-17.65%
• Urban Improvements (Street Furniture)	10%-85.71%
• Special Projects	10%
• Office Equipment	20%-46.14%
• Motor Vehicles	20%
• Plant and Machinery	20%-23.08%
• Plants	100%
• Computer Equipment	25%-85.67%
• Litter Bins	Replacement Basis
• Traffic and Road Signs	Replacement Basis
• Street Mirrors	Replacement Basis
• Street Lights	100%
• Playground Furniture	100%

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each Statement of Financial Position date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

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

Notes to the Financial Statements For the year ended 31 December 2023

2. Material accounting policies – continued

i. Impairment of assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

j. Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Local Council becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade 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 are classified into the following categories:

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

The Local Council does not have any financial assets categorised as FVTPL and FVOCI in the periods presented.

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 income and expenses relating to financial assets that are recognised in profit or loss are presented within 'finance costs', 'finance income' or 'other financial items'.

Notes to the Financial Statements For the year ended 31 December 2023

2. Material accounting policies – continued

j. Financial instruments - continued

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 equivalents, and most receivables fall into this category of financial instruments.

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 broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

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

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

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

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

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

Notes to the Financial Statements For the year ended 31 December 2023

2. Material accounting policies – continued

j. Financial instruments – continued

Classification and measurement of financial liabilities

The Local Council's financial liabilities include payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Local Council designates a financial liability at fair value through profit or loss.

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'.

k. Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

l. Profits and losses

Only profits that were realized at the date of the Statement of Financial Position are recognized in these Financial Statements. All foreseeable liabilities and potential losses 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.

m. Provisions

Provisions are recognised when the Local Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

n. Government 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.

Notes to the Financial Statements For the year ended 31 December 2023

2. Material accounting policies - continued

o. Capital Management

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

To achieve the above, the Council carries out a quarterly review of the working capital ratio ('Financial Situation Indicator'). The 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.

3. Funds Received from Central Government

	2023' €	2022 €
In terms of Section 55 of the Local Councils Act (Cap 363)	314,660	309,272
Other Government Income	22,364	40,059
	337,024	349,331

4. Local Enforcement System

	2023 €	2022 €
Administrative charges to Regional Committees	852	782
	852	782

5. General income

	2023	2022
	€	€
Income from permits	4,863	4,082
Contributions and donations	1,808	2,046
General income	11,566	1,220
	18,237	7,348

6. Income from bye law

	2023	2022
	€	€
Income from bye law	206	136

7. Personal Emoluments

	2023	2022
	€	€
Mayor's allowance	11,079	10,742
Executive Secretary and allowances	39,496	46,284
Employees' salaries	41,803	38,441
Social Security Contributions	6,680	6,282
Councillors' remuneration	13,000	13,097
	112,058	114,846
Average number of people employed		
Employees	4	4
Mayor & Councillors	5	5

8. Operations and Maintenance

	2023	2022
	€	€
Repairs and upkeep:		
Road and street pavements	1,627	4,615
Repair plant and equipment	1,581	296
Road signs and markings	2,972	2,721
Repairs to council property	5,950	1,149
Office furniture & equipment	1,847	1,193
Sundry repairs	1,495	1,711
	<u>15,472</u>	<u>11,685</u>
	2023	2022
	€	€
Contractual Services:		
Refuse collection (including bins on wheels)	12,052	41,001
Waste disposal	27,770	15,775
Bulky refuse collection (including open skips)	5,757	5,565
Road and street cleaning (mechanical and manual)	17,107	18,351
Cleaning and maintenance of Public Conveniences	5,128	5,136
Cleaning and maintenance of Parks and Gardens	23,456	23,986
Cleaning and maintenance of Council Premises	1,807	782
Other contractual services	16,969	13,413
Street lighting and security	19,378	8,524
LES related expenditure	8	32
	<u>129,432</u>	<u>132,565</u>
	144,904	144,250

9. Administrative and other expenditure

	2023	2022
	€	€
Depreciation and amortisation	15,434	17,131
Professional services	19,219	41,744
Advertising and public relations expenses	690	30
Bank charges	795	652
Fuel	-	67
Community services	16,679	12,849
Conference and membership expenses	757	225
Insurance	4,168	4,147
Information services	2,280	2,630
Staff training	-	2,430
Postages	-	62
Printing and stationery	1,847	1,941
Publications	3,805	190
Rent	8,233	6,888
Provision for bad debts (LES)	-	(198)
Office services	610	416
Telecommunications	3,600	3,461
Transport expenses	1,398	1,292
Water and electricity	7,613	4,108
	87,128	100,065

10. Intangible asset

	Computer software €
At 1 January 2022	
Cost	2,327
Accumulated amortisation	(2,137)
Net book amount	<u>190</u>
Movements for the year ended 31 December 2022	
Opening net book amount	190
Amortisation charge	(116)
Closing net book amount	<u>74</u>
At 31 December 2022	
Cost	2,327
Accumulated amortisation	(2,253)
Net book amount	<u>74</u>
Movements for the year ended 31 December 2023	
Opening net book amount	74
Amortisation charge	(74)
Closing net book amount	<u>-</u>
At 31 December 2023	
Cost	2,327
Accumulated amortisation	(2,327)
Net book amount	<u>-</u>

Amortisation of €74 (2022: €116) is included in administrative expenses.

11a. Property, plant and equipment

	Office Furniture, Fixtures & Fittings €	Office Equipment €	Computer Equipment €	New Street Signs €	Urban Improv. €	Street Lighting €	Construction €	Trees €	Plant & Machinery €	Motor Vehicles €	Assets under Construction €	Total €
Cost												
At 1 January 2023	53,500	19,433	9,529	38,068	364,475	94,942	477,953	11,055	9,472	38,940	511,863	1,629,230
Additions	273	1,495	0	0	16,955	0	0	0	119	0	539,315	558,157
Capitalizations	0	0	0	0	0	0	1,031,355	0	0	0	(1,031,355)	0
At 31st December 2023	53,773	20,928	9,529	38,068	381,430	94,942	1,509,308	11,055	9,591	38,940	19,823	2,187,387
Grants												
At 1 January 2023	0	2,847	0	0	147,079	35,159	400,968	0	2,300	36,000	2,599	626,952
Transferred during the year	0	0	0	0	0	0	800,533	0	0	0	0	800,533
At 31st December 2023	0	2,847	0	0	147,079	35,159	1,201,501	0	2,300	36,000	2,599	1,427,485
Depreciation												
At 1 January 2023	41,809	15,749	9,529	38,068	201,705	59,783	59,623	0	6,161	588	0	433,015
Charge for the period	1,606	820	0	0	8,824	0	3,081	0	444	588	0	15,363
At 31st December 2023	43,415	16,569	9,529	38,068	210,529	59,783	62,704	0	6,605	1,176	0	448,378
Net Book Value												
At 31st December 2023	10,358	1,512	0	0	23,822	0	245,103	11,055	686	1,764	17,224	311,524

11b. Property, plant and equipment

	Office Furniture, Fixtures & Fittings €	Office Equipment €	Computer Equipment €	New Street Signs €	Urban Improv. €	Street Lighting €	Construction €	Trees €	Plant & Machinery €	Motor Vehicles €	Assets under Construction €	Total €
Cost												
At 1 January 2022	50,809	19,433	9,529	38,068	365,443	94,942	477,953	11,055	9,373	0	416,036	1,492,641
Additions	2,691	0	0	0	0	0	0	0	99	38,940	95,827	137,557
Disposals	0	0	0	0	(968)	0	0	0	0	0	0	(968)
At 31st December 2022	53,500	19,433	9,529	38,068	364,475	94,942	477,953	11,055	9,472	38,940	511,863	1,629,230
Grants												
At 1 January 2022	0	2,847	0	0	142,836	35,159	400,968	0	2,300	0	2,599	586,709
Transferred during the year	0	0	0	0	4,243	0	0	0	0	36,000	0	40,243
At 31st December 2022	0	2,847	0	0	147,079	35,159	400,968	0	2,300	36,000	2,599	626,952
Depreciation												
At 1 January 2022	39,806	15,146	9,515	38,068	191,532	59,783	56,459	0	5,691	0	0	416,000
Charge for the period	2,003	603	14	0	10,173	0	3,164	0	470	588	0	17,015
At 31st December 2022	41,809	15,749	9,529	38,068	201,705	59,783	59,623	0	6,161	588	0	433,015
Net Book Value												
At 31st December 2022	11,691	837	0	0	15,691	0	17,362	11,055	1,011	2,352	509,264	569,263

12. Inventories

	2023	2022
	€	€
Books and other publications	-	3,805
	<u>-</u>	<u>3,805</u>

13. Receivables

	2023	2022
	€	€
Receivables	48,619	32,860
Other receivables	-	53
Accrued income	104,770	27,263
Financial assets	153,389	60,176
Prepayments	6,830	5,144
	<u>160,219</u>	<u>65,320</u>

The total financial assets for the year amounted to €153,389 (2022: €60,176).

The average credit period on sales of services is 60 days. Receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the company has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

	2023	2022
	€	€
Age of receivables that are past due but not impaired		
60-90 days	31,063	10,965
91-120 days	93	3,985
More than 120 days	17,463	17,910
Total	<u>48,619</u>	<u>32,860</u>

13. Receivables - continued

	2023	2022
	€	€
Movement in the allowance for doubtful debts		
Balance at beginning of the year	42,956	43,154
Reduction in provision for doubtful debts	-	(198)
Balance at end of the year	42,956	42,956

In determining the recoverability of a receivable, the Local Council considers any change in the credit quality of the receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

The impairment loss on receivables is included in administrative expenses in the statement of comprehensive income.

Receivables are stated net of a provision for LES doubtful debts of €36,906 (2022: €36,906).

Receivables are stated net of a provision for doubtful debts of €Nil (2022: €6,050).

14. Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following amounts in the Local Council Statement of Financial Position:

	2023	2022
	€	€
Petty cash and cash in hand	65	381
Bank balances:		
Ordinary funds	800,144	111,016
	800,209	111,397

15. Payables

	2023	2022
	€	€
Payables	168,112	86,485
Other payables	6,722	8,576
Accruals	106,182	28,103
Financial liabilities	281,016	123,164
Advance payment	15,719	15,719
	296,735	138,883

The total financial liabilities for the year amounted to €281,016 (2022: €123,164)

Payables due after more than one year

	2023	2022
	€	€
Advance payment	727,069	375,057
	727,069	375,057

16. Contingent liabilities

The Council has no contingent liabilities as at 31st December 2023.

17. Related party transactions

During the year, the Local Council had affected transactions with related parties resulting mainly in connection with income and administrative transactions, are disclosed in notes 8 and 9 to these financial statements. The following were the related parties:

Name of Entity	Nature of relationship
Department of Local Councils	Significant Control
Gozo Regional Committee	No Control
Central Regional Committee	No Control
North Regional Committee	Joint Control
South Regional Committee	No Control
South Eastern Regional Committee	No Control
Local Enforcement Systems Agency	No Control
ARMS Ltd	No Control
Commissioner of Data Protection	No Control
Department of Information	No Control
Ministry of Finance	No Control
Police General Head Quarters	No Control
Malta Environment and Planning Authority	No Control
Water Services Corporation	No Control
Enemalta Corporation	No Control
Cleansing Directorate	No Control
Department of Lands	No Control
Wasteserv Malta Limited	No Control
Bank of Valletta plc	No Control
Department of Lands	No Control
Local Councils' Association	No Control
Central Bank of Malta	No Control
Department of Inland Revenue	No Control
Ministry for Justice, Culture and Local Government	No Control

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

	2023	2022
	€	€
(a) Funds received from Local Government	314,660	309,272

Key management compensation

The Mayor, Councillors and Executive Secretary of the Council make up the Key Management Personnel. Transactions with key management personnel are disclosed in note 7.

Ultimate controlling party

The ultimate controlling party of the local council is Central Government since the Council's main revenue is from the Government allocation received every quarter. Apart from the normal funds received from Government, the Council also receives funds relating to specific projects as well as other funds for the improvement of the locality.

18. Financial risk management

The Council's activities expose it to a variety of financial risks such as market risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance.

Credit risk

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and debtors. The 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 Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

The Council's exposures to credit risks are limited to the carrying amount of financial assets recognised at the end of the reporting period and are summarised as follows:

	2023 €	2022 €
Classes of financial assets – carrying amounts		
Trade and other receivables	153,389	60,176
Cash and cash equivalents	800,209	111,397
	953,598	171,573

Liquidity risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the 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 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 Council has as cash in bank and in hand the amount of €800,209. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net asset position of €626,190 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 below:

18. Financial risk management – continued**At 31 December 2023**

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	168,112	-	-
Other creditors	6,722	-	-
Accruals	106,182	-	-

This compares to the maturity of the council's financial liabilities in the previous reporting period as follows:

At 31 December 2022

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	86,485	-	-
Other creditors	8,576	-	-
Accruals	28,103	-	-

Foreign currency risk

Foreign currency transactions arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Council does not trade in any foreign currencies.

Interest rate risk

Interest rate risk mainly arises through interest bearing liabilities and assets. The objectives of interest rate risk management are to optimise the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense.

19. Summary of financial assets and liabilities

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

	2023 €	2022 €
Current assets		
Loans and receivables:		
Trade and other receivables	158,389	60,176
Cash and cash equivalents	800,209	111,397
	<u>953,598</u>	<u>171,573</u>
Current liabilities		
Financial liabilities measured at amortised costs:		
Payables	281,016	123,164
	<u>281,016</u>	<u>123,164</u>

20. Fair values estimation

The nominal values 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.

21. Capital commitments**Capital expenditure**

Commitments for capital expenditure not provided for in these financial statements are as follows:

	2023 €	2022 €
Contracted but not provided for	<u>1,881,000</u>	<u>369,819</u>