



SANTA VENERA LOCAL COUNCIL
AUDITED FINANCIAL STATEMENTS
For the year ended 31 December 2023

Prepared by Lorna Sultana CPA

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

The Local Government (Financial) Regulations 1993 require the Executive Secretary to prepare a detailed Annual Administrative Report which includes the Local Council's Statement of Other Comprehensive Income for the year and of the Council's retained funds at the end of this 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 Government (Financial) Regulations, 1993 and the Local Government (Financial) Procedures, 1996 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 Government Act 1993, Local Government (Financial) Regulations, 1993 and the Local Government (Financial) Procedures, 1996. 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 Local Council on 20 May 2024 and signed on its behalf by:



Stephen Sultana
Mayor



Michael Mifsud
Deputy Executive Secretary

Statement of Profit and Loss and Comprehensive Income for the year ended
31 December 2023

	Notes	Year Ended 2023 €	Year Ended 2022 €
Income			
Funds received from Central Government	4	563,958	658,882
Income from Law Enforcement System	5	6,109	(10,003)
General Income	6	26,774	27,744
		596,841	676,623
Expenditure			
Personnel emoluments	7	137,211	136,370
Operations and maintenance	8	361,184	301,020
Administrative and other expenditure	9	386,593	332,513
		884,988	769,903
Deficit for the year		(288,147)	(93,280)
Total comprehensive loss for the year		(288,147)	(93,280)

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

Statement of Financial Position as at 31 December 2023

	Notes	Year Ended 2023 €	Year Ended 2022 €
ASSETS			
Non-current assets			
Property, plant, and equipment	10	413,661	474,564
Total non-current assets		413,661	474,564
Current assets			
Trade and other receivables	11	105,315	157,893
Cash and cash equivalents	12	631,639	806,427
Total current assets		736,954	964,320
Total assets		1,150,615	1,438,884
RESERVES AND LIABILITIES			
Reserves			
Retained funds		654,263	942,410
Total Reserves		654,263	942,410
Current liabilities			
Trade and other payables	14	496,352	496,474
Total current liabilities		484,329	496,474
Total reserves and liabilities		1,150,615	1,438,884

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

These financial statements were approved by the Local Council on 20 May 2024 and are signed on its behalf by:

Stephen Sultana
Mayor

Michael Mifsud
Deputy Executive Secretary

Statement of Changes in Equity for the year ended 31 December 2023

	Retained Funds €
At 1 January 2022	1,035,690
Total comprehensive loss for the year	(93,280)
At 31 December 2022	<u>942,410</u>
At 1 January 2023	942,410
Total comprehensive loss for the year	(288,147)
At 31 December 2023	<u>654,263</u>

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

Statement of Cash Flows for the year ended 31 December 2023

	Notes	2023 €	2022 €
Cash flows from operating activities			
Deficit for the year		(288,147)	(93,280)
<u>Adjustments for:</u>			
Depreciation		132,882	140,056
Increase/(Decrease) in provision for doubtful debts		2,795	(14,801)
Bad debts written off		707	-
Operating (deficit)/surplus before working capital changes		(151,763)	31,975
<u>Movements in working capital:</u>			
Movement in receivables		49,076	(94,251)
Movement in payables		(122)	27,512
Net cash (used)/generated by operating activities		(102,809)	34,764
Cashflows from investing activities			
Payment to acquire property, plant, and equipment		(71,979)	(101,301)
Net cash used in investing activities		(71,979)	(101,301)
Cash flows from financing activities			
Grants received		-	132,231
Net cash generated from financing activities		-	132,231
Net movement in cash and cash equivalents in the year		(174,788)	(3,834)
Cash and cash equivalents at beginning of year	12	806,427	810,261
Cash and equivalents at end of year	12	631,639	806,427
Cash and equivalents– cash at bank		631,639	806,427

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

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

1. General Information

Santa Venera Local Council is the local authority of Santa Venera set up in accordance with the Local Councils Act 1993. The office of the Local Council is situated at Umberto Colosso Complex, St. Joseph High Street, Santa Venera.

The Local Council's presentations as well as functional currency are denominated in Euro (€). Its ultimate controlling party is the Department for Local Government within the Ministry for Justice, Culture and Local Government.

2. Accounting Policies and Reporting Procedures

The local council should disclose its material accounting policies. Accounting policies are material and must be disclosed if they can be reasonably expected to influence the decisions of users of the financial statements.

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 local council has concluded that the disclosure of the material accounting policies below and in the succeeding pages are appropriate.

(a) Accounting Convention

These financial statements are prepared under the historical cost convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Government Act, 1993 (Cap. 363), the Financial Regulations issued in terms of this Act and the Local Government (Financial) Procedures, 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards, as adopted by the EU. 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, 1993 (Cap 363).

(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 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.

New and amended standards adopted by the Council

Some accounting pronouncements which have become effective from 1 January 2023 and have therefore been adopted do not have a significant impact on the Council's financial results or position.

Other Standards and amendments that are effective for the first time in 2023 and could be applicable to the 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.



Notes to the Financial Statements for the year ended 31 December 2023 (cont.)

New Standards, amendments and interpretations to existing standards that are not yet effective (cont.)

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB or IFRIC. None of these Standards or amendments to existing Standards have been adopted early by the council and no Interpretations have been issued that are applicable and need to be taken into consideration by the council.

Other Standards and amendments that are not yet effective and have not been adopted early by the 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.

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 council's financial statements.

(c) Property, Plant and Equipment

Property, plant, and equipment is stated at historical cost less accumulated depreciation and impairment loss to date. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The present values of property, plant and equipment do not differ materially from those that would be determined by using fair values at the end of each reporting period.

Subsequent costs are included in the asset's carrying amount 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 Local Council and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

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



Notes to the Financial Statements for the year ended 31 December 2023 (cont.)

(c) Property, Plant and Equipment (cont.)

Category	%
Land / Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works / Special Projects / Urban Improvements (Street Furniture)	10
Office Equipment / Motor Vehicles / Plant and Machinery / Air conditioners	20
Computer Equipment / Computer software	25
Plants / Litter Bins / Playground furniture	100
Traffic / Road Signs / Street Mirrors / Lights	replacement basis

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are considered in determining operating surplus. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each year end. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

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

(d) Impairment of property, plant, and equipment

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

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

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

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)

(d) Impairment of property, plant and equipment (cont.)

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

(e) Impairment of financial assets other than inventories

At the end of each reporting period, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

In the case of financial assets that are carried at amortised cost, objective evidence of impairment includes observable data about the following loss events - significant difficulty of the issuer (or counterparty) and/or breach of contract. An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

For loans, and receivables or, if there is objective evidence that an impairment loss has been incurred, the loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

In the case of other assets tested for impairment, the recoverable amount is the higher of fair value less costs to sell (which is the amount obtainable from sale at arm's length transaction between knowledgeable, willing parties, less the costs of disposal) and value in use (which is the present value of the future cash flows expected to be derived, discounted using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Impairment losses are recognized immediately in the statement of profit and loss and comprehensive income, unless the asset is carried at a revalued amount, in which case, the impairment loss is recognized directly against the asset's revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for the asset.

For loans and receivables, if, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized; the previously recognized impairment loss is reversed directly.

In the case of assets tested for impairment, an impairment loss recognized in a prior period is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but in a manner that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. Impairment reversals are recognized immediately in the statement of profit and loss and comprehensive income, unless the asset is carried at a revalued amount, in which case, the impairment reversal is recognized directly in reserves, unless an impairment loss on the same asset was previously recognized in the comprehensive income statements.

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)

(f) Leases

The Local Council assesses whether a contract is or contains a lease, at inception of the contract. The Local Council recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

Lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Local Council uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.
- The amount expected to be payable by the lessee under residual value guarantees.
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Local Council remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The right-of-use assets are presented as a separate line in the statement of financial position. The Local Council applies IAS 36 to determine whether a right-of-use asset is impaired.

The Council presents right-of-use assets in "property, plant and equipment" and lease liabilities in "borrowings" in the statement of financial position.



Notes to the Financial Statements for the year ended 31 December 2023 (cont.)

(f) Leases (cont.)

The Council has elected not to recognise right-of-use assets and lease liabilities for short term lease that have a lease term of 12 months or less and lease of low-value items. The Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(g) Government Grants

Government grants relating to operating expenditure are recognised in the Statement of Profit and Loss and 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.

Up to the year ended 31st December 2017, government grants were accounted for using the income approach according to IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance." On 1st January 2018, the capital approach, according to IAS 20, has been adopted, in line with the directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting policy, and according to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors," it has been accounted for retrospectively.

(h) Receivables

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount of the asset in the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit or loss.

(i) Payables

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of the council's activities from suppliers. Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

(j) Foreign Currencies

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Local Council operates. These Financial Statements are presented in €, which is the Council's functional currency. Transactions denominated in foreign currencies are translated into € using the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

(k) Related Parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard No. 24.

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)

(l) Surpluses and deficits

Only surpluses and deficits that were realised at the reporting date are recognised 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) Cash and Cash Equivalents

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

(n) 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 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'.

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



Notes to the Financial Statements for the year ended 31 December 2023 (cont.)

(n) Financial Instruments (cont.)

Impairment of financial assets

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

Recognition of credit losses is no longer dependent on the Local Council first identifying a credit loss event. Instead, 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 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.

Financial liabilities

The council's financial liabilities include other payables. These are stated at their nominal amount which is a reasonable approximation of fair value.

All interest-related charges are included within 'finance costs'.

(o) Income recognition

Income in general is stated when there is reasonable certainty that the income would be receivable and thus can be accrued for. Other income such as that derived from the organization of courses, cultural, sporting, and social activities is only recognized on a cash basis. Income from investment activities is recognized when the rights of receipt have been established. Interest income from financial assets is recognized when it is probable that the economic benefits will flow to the Council and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Notes to the Financial Statements for the year ended 31st December 2023 (cont.)

1. Critical accounting estimates and judgments

(p) Local Enforcement System

Local Enforcement Income represents the income as it accrues from contraventions as controlled by the Local Enforcement System (L.E.S). The amount receivable from the Local Enforcement System is disclosed in the statement of financial position. A full provision for bad debts is accounted for receivables aged over two years. As from the 1st of September 2011, the Council forms part of the Southern Regional Committee, which is responsible for the L.E.S income of the locality. The contract provides for a 10% administration fee payable to the Council for contraventions collected by the Council and remitted to the respective Regional Committees. During the year, the L.E.S. undergone changes with the introduction of the LESA which has taken over the functions previously undertaken by the Regional Committees.

The preparation of financial statements in conformity with IFRS adopted by the EU requires council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In the opinion of the council members, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)

2. Funds received from Central Government

	2023	2022
	€	€
Central Government income	557,012	549,472
Supplementary Government income	-	52,654
Other Government Income	6,946	56,756
	<u>563,958</u>	<u>658,882</u>

3. Local Enforcement Income

	2023	2022
	€	€
Income including fines and penalties	327	(15,855)
LES administration fees	5,782	5,852
	<u>6,109</u>	<u>(10,003)</u>

6. General Income

	2023	2022
	€	€
Income from permits	25,281	25,611
Income from kiosks	696	373
Other income	797	1,760
	<u>26,774</u>	<u>27,744</u>

7. Personal Emoluments

	2023	2022
	€	€
Mayor's and councilors' allowance	19,668	17,773
Mayor's allowance	16,003	15,516
Executive Secretary's salary and allowances	22,570	28,672
Employees' salaries	73,431	69,097
Social Security Contributions	5,539	5,312
	<u>137,211</u>	<u>136,370</u>

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)

8. Operations and Maintenance

	2023	2022
	€	€
Road signs, pavements and markings	21,539	23,361
Other repairs and upkeep	23,554	8,028
	<u>45,093</u>	<u>31,389</u>

	2023	2022
	€	€
Contractual Services:		
Refuse collection	5,002	116,602
Bulky refuse collection	16,682	16,035
Waste disposal	109,311	62,580
Road and Street Cleaning	112,596	38,217
Cleaning and Maintenance of Public Conveniences	4,660	4,720
Other cleaning and maintenance services	16,848	16,630
Material and support	2,134	2,281
Street lighting expenses	47,837	7,318
Local Enforcement System (L.E.S) Expenses	1,021	5,248
	<u>316,091</u>	<u>269,631</u>
	<u>361,184</u>	<u>301,020</u>

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)

9. Administration and other expenditure

	2023	2022
	€	€
Utilities	6,222	4,142
Rent	11,482	9,578
National and International memberships	250	250
Office Services	3,861	5,129
Advertising	11,974	1,387
Transport	10,851	9,737
Information Services	4,074	3,258
Insurance	2,978	2,816
Professional services	64,371	36,554
Community and hospitality	132,430	133,625
Bank charges	911	782
Depreciation	132,882	140,056
Increase/(decrease) in provision for bad debts	3,600	(14,801)
Bad Debts written off	707	-
	386,593	332,513

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)

10. Property, plant, and equipment

Cost	Office Furniture & Fittings €	Office Equipment €	Motor Vehicles €	Computer Equipment €	New Street Signs €	Urban Improvements €	Construction €	Special Programmes €	Trees €	Plant & Machinery €	Assets not capitalised €	Total €
At 1 January 2023	38,500	32,939	5,000	31,994	37,216	533,294	1,357,283	666,592	25,870	6,251	54,890	2,789,829
Additions	1,211	-	-	2,771	-	63,802	-	-	4,195	-	-	71,979
At 31 December 2023	39,711	32,939	5,000	34,765	37,216	597,096	1,357,283	666,592	30,065	6,251	54,890	2,861,808
Grants												
At 1 January 2023												
2023/December 2023	-	(4,409)	-	-	-	(192,489)	(338,795)	(359,701)	(21,396)	-	-	(916,790)
Depreciation												
At 1 January 2023	(32,471)	(24,922)	(4,250)	(28,569)	(37,216)	(283,489)	(674,541)	(306,891)	-	(6,126)	-	(1,398,475)
Charge for the year	(1,113)	(1,886)	(750)	(1,999)	-	(20,155)	(106,862)	-	-	(117)	-	(132,882)
At 31 December 2023	(33,584)	(26,808)	(5,000)	(30,568)	(37,216)	(303,644)	(781,403)	(306,891)	-	(6,243)	-	(1,531,357)
Net Book Value at 31 December 2023	6,127	1,722	-	4,197	-	100,963	237,085	-	8,669	8	54,890	413,661

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)

10. Property, plant, and equipment (cont.)

Cost	Office Furniture & Fittings €	Office Equipment €	Motor Vehicles €	Computer Equipment €	New Street Signs €	Urban Improvements €	Construction €	Special Programmes €	Trees €	Plant & Machinery €	Assets not capitalised €	Total €
At 1 January 2022	37,234	32,800	5,000	27,951	37,216	332,719	1,357,283	666,592	25,870	6,251	159,612	2,688,528
Additions	1,266	139	-	4,043	-	19,601	-	-	-	-	76,252	101,301
Transfers	-	-	-	-	-	180,974	-	-	-	-	(180,974)	-
At 31 December 2022	38,500	32,939	5,000	31,994	37,216	533,294	1,357,283	666,592	25,870	6,251	54,890	2,789,829
Grants												
At 1 January 2022	-	(4,409)	-	-	-	(11,515)	(338,795)	(359,701)	(21,396)	-	(48,743)	(784,559)
Additions	-	-	-	-	-	(180,974)	-	-	-	-	48,743	(132,231)
At 31 December 2022	-	(4,409)	-	-	-	(192,489)	(338,795)	(359,701)	(21,396)	-	-	(916,790)
Depreciation												
At 1 January 2022	(31,925)	(23,132)	(3,250)	(26,973)	(37,216)	(250,145)	(572,846)	(306,891)	-	(6,041)	-	(1,258,419)
Charge for the year	(546)	(1,790)	(1,000)	(1,596)	-	(33,344)	(101,695)	-	-	(85)	-	(140,056)
At 31 December 2022	(32,471)	(24,922)	(4,250)	(28,569)	(37,216)	(283,489)	(674,541)	(306,891)	-	(6,126)	-	(1,398,475)
Net Book Value at 31 December 2022	6,029	3,608	750	3,425	-	57,316	343,947	-	4,474	125	54,890	474,564

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)

11. Trade and other receivables

	2023	2022
	€	€
Receivables and related party undertakings (note 11.1)	8,612	34,061
Provision for doubtful debts	(3,600)	(805)
Other receivables	12,408	3,269
LES debtors (Note 11.2)	(4,126)	(4,126)
Prepayments	3,221	4,077
Accrued income	88,800	121,417
	<u>105,315</u>	<u>157,893</u>

Note 11.1

	2023	2022
	€	€
Receivables within credit period	5,012	33,256
Receivables which are impaired and provided for	3,600	805
	<u>8,612</u>	<u>34,061</u>

The credit period on receivables (Note 11.1) is of 90 days. No interest is charged on receivables for the first 90 days from the date of request of payment. Thereafter, the Council may consider imposing an interest charge of 2% per annum on the outstanding balance. Allowances for doubtful debts are recognised against receivables after 730 days (two years). Receivables disclosed in (Note 11.1) include amounts that are past due at the end of the reporting date for which the Council has not recognised an allowance for doubtful debts.

Note 11.2

	2023	2022
	€	€
L.E.S receivables	174,925	174,925
Provision for L.E.S doubtful debts (reconciled in the next page)	(179,051)	(179,051)
	<u>(4,126)</u>	<u>(4,126)</u>

Notes to the Financial Statements for the year ended 31st December 2023 (cont.)

12. Trade and other receivables - cont.

Note 11.2 - cont.

	2023	2022
	€	€
<i>Movement in the allowance for doubtful debts:</i>		
Balance at beginning of the year	179,051	174,926
Movement in provision	-	4,125
Balance at the end of the year	<u>179,051</u>	<u>179,051</u>

The credit period on L.E.S receivables (Note 11.2) is of 60 days. As the system is controlled by the Central Government, the Council has no control on the charging of interest or the imposition of penalties. Allowances for doubtful debts are recognised against receivables after 730 days (two years).

11. Cash and cash equivalents

	2023	2022
	€	€
Cash at bank	<u>631,639</u>	806,427
	<u>631,639</u>	<u>806,427</u>

12. Deferred income

	2023	2022
	€	€
Balance at the beginning of the year	243,411	285,453
Allocated during the year	(1,062)	(42,042)
Balance at the end of the year	<u>242,349</u>	<u>243,411</u>

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)

13. Trade and other payables

	2023	2022
	€	€
Trade payables	188,431	213,000
Capital payables	-	19,920
Other payables	6,468	6,711
Accruals	59,104	13,432
Deferred income (note 13)	242,349	243,411
	<u>496,352</u>	<u>496,474</u>

15. Contingent liabilities

As at 31 December 2023, the Local Council did not have any contingent liabilities.

16. Capital commitments

	2023	2022
	€	€
Approved but not contracted for	<u>97,000</u>	<u>1,292,000</u>

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 Law Enforcement	No Control
Bank of Valletta	No Control
Department of Education	No Control
Enemalta Corporation	No Control
Local Councils Association	No Control
Water Services Corporation	No Control
Wasteserv Malta Limited	No Control
Works Division - Director General Works	No Control

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

	2023	2022
	€	€
Significant control		
Revenue:		
Annual financial allocation	<u>557,012</u>	<u>549,472</u>

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)

17. Related party transactions (cont.)

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, Councils also receive funds relating to specific projects as well as other funds for the improvement and betterment of the locality.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Local Council, directly or indirectly. The main key management personnel are the Mayor, Councillors and the Executive Secretary.

The significant transactions carried out with key management personnel are:

	2023	2022
	€	€
Personal emoluments include, inter alia:		
Mayor's Allowance	16,003	15,516
Mayor and councillors' Allowance	19,668	17,773
Executive Secretary salary and allowances	22,570	28,672



Notes to the Financial Statements for the year ended 31 December 2023 (cont.)

18. Risk management objectives

The Council is exposed to credit risk, liquidity risk and contractual maturity risk through its use of financial instruments which result from its operating and investing activities. The most significant financial risks to which the Council is exposed to are described below.

18.1 Credit risk

The Council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the date of the Statement of Financial Position (as disclosed in Notes 11 and 12, and as referred to hereunder), which arises from cash and cash equivalents and credit exposures from receivables as follows:

	2023	2022
	€	€
Receivables (Note 11.1)	8,612	34,061
Other receivables	12,408	3,269
Accrued Income (Note 11)	88,800	121,417
Cash and cash equivalents (Note 12)	631,639	806,427
	741,459	965,174

L.E.S receivables relate to sentenced cases arising from contraventions which are legally due to the Council. The credit risk exposure is high on L.E.S receivables as the Council has no control on such collectables. The amounts have been fully provided for with a provision for bad debts.

Receivables arise from legal obligations due to the Council by third parties. The credit risk exposure is considered low as the Council is in direct contact with such debtors. Accrued income represents income receivable from Government and related agencies. Their relative credit exposure is considered low. The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective note to the financial statements and there is no collateral to secure such assets.

Cash at bank relates to balances held as savings accounts placed with a local reliable financial institution. The credit risk exposure in this respect is considered low.

18.2 Liquidity risk

The council's exposure to liquidity risk arises from its obligations to meet its financial liabilities which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funds to meet the council's obligations when they become due.

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

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)

18. Risk management objectives (cont.)

18.2 Liquidity risk (cont.)

At 31 December 2023, the Council's financial liabilities have contractual maturities which are summarised as follows:

	Within 1 year €	1 to 5 years €	More than 5 years €
Payables	194,899	-	-
Accruals	59,104	-	-
	<hr/>	<hr/>	<hr/>

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

	Within 1 year €	1 to 5 years €	More than 5 years €
Payables	239,631	-	-
Accruals	13,432	-	-
	<hr/>	<hr/>	<hr/>

18.3 Interest rate risk

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 12), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

18.4 Summary of the financial assets and liabilities by category

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

Current Assets	2023 €	2022 €
Financial assets measured at amortised costs:		
Trade and other receivables	109,820	158,747
Cash and Cash Equivalents	631,639	806,427
	<hr/>	<hr/>
	741,459	965,174
	<hr/>	<hr/>
Current Liabilities	2022 €	2021 €
Financial liabilities measured at amortised costs:		
Trade payables	188,431	232,920
Other payables	6,468	6,711
Accruals	59,104	13,432
	<hr/>	<hr/>
	254,003	253,063
	<hr/>	<hr/>

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)

19. Capital risk management

The Council's objectives when managing capital are to safeguard the Council's ability to continue as a going concern so that it can continue to provide a service to the residents of the Local Council by maintaining an optimal capital structure to reduce cost of capital.

The Council's equity, as disclosed in the statement of financial position, constitutes its capital. The Council's capital structure is monitored by the Executive Secretary and the Council with appropriate reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Council's activities, the capital level as at the end of the reporting period is deemed adequate by the Council.

20. Events after the reporting date

No other adjusting or significant non-adjusting events have occurred between the reporting date and the date of approval of the financial statements by the council members.