



SWIEQI LOCAL COUNCIL

**Annual Report
and
Financial Statements**

for the year ended 31 December 2022

Prepared by

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ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2022

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

for the year ended 31 December 2022

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's statement of 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 Councils (Financial) Regulations, and the Local Councils (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 Councils (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 Local Council on the 12th February 2024 and signed on its behalf by:

Noel Muscat
Mayor

Clarissa Buhagiar
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

		2022	2021
		€	€
	<i>Notes</i>		
Income			
Funds received from Central Government	4	913,251	958,118
Income raised under Council Bye-Laws	5	6,428	4,056
Income raised under Local Enforcement System	6	6,399	7,520
General Income	7	54,134	50,154
		<u>980,212</u>	<u>1,019,848</u>
Expenditure			
Personal emoluments	9	(165,913)	(155,244)
Operations and maintenance	10	(668,001)	(661,019)
Administrative and other expenditure	11	(215,822)	(198,313)
		<u>(1,049,736)</u>	<u>(1,014,576)</u>
Operating (Deficit) / Surplus for the year		(69,524)	5,272
Investment income	12	93	-
(Deficit) / surplus for the year		<u>(69,431)</u>	<u>5,272</u>

The notes on pages 8 to 25 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

		2022 €	2021 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	13	332,875	240,409
Intangible assets	14	<u>2,595</u>	<u>4,127</u>
		<u>335,470</u>	<u>244,536</u>
Current Assets			
Receivables	15	217,106	135,791
Cash and Cash Equivalents	16	<u>535,381</u>	<u>653,916</u>
		<u>752,487</u>	<u>789,707</u>
Total Assets		<u><u>1,087,957</u></u>	<u><u>1,034,243</u></u>
EQUITY AND LIABILITIES			
Reserves			
Retained Fund		<u>492,389</u>	561,820
		<u>492,389</u>	<u>561,820</u>
Current Liabilities			
Payables	17	<u>595,568</u>	472,423
		<u>595,568</u>	<u>472,423</u>
Total Equity and Liabilities		<u><u>1,087,957</u></u>	<u><u>1,034,243</u></u>

These financial statements were approved by the Local Council on the 12th February 2024 and signed on its behalf by:

Noel Muscat
Mayor

Clarissa Buhagiar
Executive Secretary

The notes on pages 8 to 25 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Retained Funds €
At 1 January 2021	556,548
Surplus for the year 2021	5,272
	<hr/>
At 31 December 2021	561,820
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At 1 January 2022	561,820
Deficit for the year 2022	(69,431)
	<hr/>
At 31 December 2022	492,389
	<hr/> <hr/>

The notes on pages 8 to 25 form an integral part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022	2021
	€	€
	Note	
Cash flows from Operating Activities		
(Deficit) / Profit for the year	(69,431)	5,272
Reconciliation to cash generated from operations:		
Depreciation	35,517	54,396
Amortization	1,532	1,540
Interest receivable	(93)	-
Increase in provision for doubtful debts	-	5,410
Operating (Deficit) / Profit before Working Capital Changes	<u>(32,475)</u>	<u>66,618</u>
(Increase)/decrease in receivables	(81,315)	107,814
Increase in payables	123,145	22,280
Cash generated from operating activities	9,355	196,712
 Cash flows from Investing Activities		
Interest received	93	-
Purchase of property, plant & equipment	(250,834)	(273,226)
Receipt of grant	122,851	160,760
Cash used in investing activities	(127,890)	(112,466)
 Net (decrease) / increase in Cash and cash equivalents	(118,535)	84,246
 Cash and cash equivalents at the beginning of the year	<u>653,916</u>	<u>569,670</u>
 Cash and cash equivalents at the end of the year	16 <u><u>535,381</u></u>	653,916 <u><u>653,916</u></u>

Notes to the Financial Statements for the year ended 31 December 2022

1. General Information

The Swieqi Local Council is the local Authority of Swieqi set up in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at G. Bassiera Road, Swieqi. These financial statements were approved for issue by the Council Members on the 12th February 2024. The Local Council's presentation as well as functional currency is denominated in €.

2. Accounting Policies and Reporting Procedures

The principal accounting policies applied 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.

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 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 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 (Cap. 363).

New standards adopted as at 1 January 2022

Some accounting pronouncements which have become effective from 1 January 2022 and have therefore been adopted do not have a significant impact on the 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 Council

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Council.

The Council anticipates that all of the relevant pronouncements will be adopted in the 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 Council's financial statements.

The Councillors and Executive Secretary anticipate that the adoption of the International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)**Accounting Policies and Reporting Procedures (cont.)***Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses to date. 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:

	Years
Land	No depreciation
Trees	No depreciation
Buildings	50
Office Furniture and Fittings	13 1/3 years
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	5
Motor Vehicles	5
Plant and Machinery	5
Computer Equipment	4
Plants	0
Litter Bins	Replacement basis
Playground Furniture	0
Traffic Signs	Replacement basis
Road Signs	Replacement basis
Street Mirrors	Replacement basis
Street Lights	0

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.

Intangible assets

Intangible assets comprise externally generated computer software. In determining the classification of an asset that incorporates both intangible and tangible elements, judgement is used in assessing which element is more significant. Computer software which is an integral part of the related hardware is classified as property and equipment and accounted for in accordance with the Group's accounting policy on property and equipment. Where the software is not an integral part of the related hardware, this is classified as an intangible asset.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Computer software is initially measured at cost. It is subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses.

Computer software is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit or loss in the period of derecognition.

Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. 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 carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Comprehensive Income.

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)**Accounting Policies and Reporting Procedures (cont.)***Leases*

The Council has applied IFRS 16 using the retrospective approach. At inception of a contract, the Council assesses whether a 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 in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Council assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The Council has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Council has the right to direct the use of the asset. The Council has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Council has the right to direct the use of the asset if either:
 - The Council has the right to operate the asset; or
 - The Council designed the asset in a way that predetermines how and for what purpose it will be used.

The Council has applied this approach to contracts entered into or changed on or after 1 January 2019. At inception or on reassessment of a contract that contains a lease component, the Council allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Council has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Council recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the 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. C The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Council's incremental borrowing rate. Generally, the Council uses its incremental borrowing rate as the discount rate.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Council is reasonably certain to exercise., lease payments in an optional renewal period if the Council is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Council is reasonably certain not to terminate early

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Council's estimate of the amount expected to be payable under a residual value guarantee or if the Council changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

Accounting Policies and Reporting Procedures (cont.)

Leases (cont.)

The Council presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

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

Amounts receivable

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 and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Comprehensive Income.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds and the redemption value is recognised in the income and expenditure account over the period of the borrowings using the effective interest method.

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

Other payables

Other payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material in which case other payables are measured at amortised cost using the effective interest method.

Financial instruments

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of a 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 risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs. They are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets of the Council are classified into loans and receivables upon initial recognition. Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to loans and receivables are presented within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administration and other expenditure'.

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

Accounting Policies and Reporting Procedures (cont.)

Financial assets (cont.)

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

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

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'.

Related parties

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

Revenue

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs and it can be measured reliably. Interest income is recognised in the statement of comprehensive income as it accrues.

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

Local Enforcement System

As from September 2012, the income recognised in the Income Statement was derived from the five Regional Committees and Local Enforcement System Agency.

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.

Up to the year ended 31 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 1 January 2018, the capital approach, according to IAS 20, has been adopted, in line with 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, has been accounted for retrospectively.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Profits and losses

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 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.

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)**Accounting Policies and Reporting Procedures (cont.)***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 balances held with banks.

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"). This ratio was positive at the reporting date and has not changed significantly from the previous year. 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. Judgments in applying accounting policies and key sources of estimation

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Council, 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.

4. Funds received from Central Government

	2022	2021
	€	€
In terms of section 55 of the Local Councils Act, 1993	801,276	782,868
Supplementary Government Income	-	114,348
Other Government income	111,975	60,902
	<u>913,251</u>	<u>958,118</u>

5. Income raised under Council Bye-Laws

	2022	2021
	€	€
Adverts on street furniture	6,428	4,056
	<u>6,428</u>	<u>4,056</u>

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)**6. Income raised under Law Enforcement System**

	2022	2021
	€	€
Commission from LESA and Regional committees	<u>6,399</u>	<u>7,520</u>
	<u>6,399</u>	<u>7,520</u>

In accordance with the Law Enforcement System (LES) issued by the Ministry by virtue of Section 72 of the Local councils Act, 1993, the income relating to contraventions was delegated to the local councils through Legal notice 32 of 2000.

As from September 2012, the income recognised in the Income Statement was derived from the five Regional Committees and the Local Enforcement System Agency, which income consists of administration fee of 10% of cash collected on behalf of LESA or the Regional Committee.

The recording of income from contraventions for offences was based on reports generated by the contractor entrusted with the system by the Ministry.

7. General Income

	2022	2021
	€	€
Income from permits	52,489	44,004
Cultural Activities	80	-
Donations (inc Christmas lights contributions)	1,565	5,200
Rental income	-	950
	<u>54,134</u>	<u>50,154</u>

8. (Deficit)/surplus for the year

	2022	2021
	€	€
Profit for the year is stated after charging		
Staff salaries	165,913	155,244
Depreciation of property, plant & equipment and amortisation	<u>37,049</u>	<u>55,936</u>

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)**9. Personal Emoluments**

	2022	2021
	€	€
Mayor's Honoraria	15,516	15,270
Councillors' Allowances	22,600	22,600
Executive Secretary Salary and Allowances	57,062	36,910
Employees' Salaries	63,203	72,446
Social Security Contributions	7,532	8,018
	<u>165,913</u>	<u>155,244</u>

10. Operations and Maintenance

	2022	2021
	€	€
<i>Repairs and Upkeep:</i>		
Repair and Upkeep Roads	52,081	92,098
Street Signs	14,730	16,053
Street Markings and Litter Bins	8,166	16,820
	<u>74,977</u>	<u>124,971</u>
<i>Contractual Services:</i>		
Waste Disposal	75,712	79,645
Refuse Collection	364,773	327,023
Road & Street Cleaning	71,373	41,817
Cleaning and other minor maintenance works	24,349	27,236
Cleaning & Maintaining Parks & Gardens	2,864	4,214
Street Lighting	52,881	54,871
Law Enforcement System	1,072	1,242
	<u>593,024</u>	<u>536,048</u>
Total Operations and Maintenance Costs	<u>668,001</u>	<u>661,019</u>

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)**11. Administrative and other expenditure**

	2022	2021
	€	€
Utilities	28,747	26,829
Repairs and Maintenance	8,924	2,115
Rent	4,427	4,459
National and International Memberships	1,256	900
Office Services	5,796	7,296
Transport	844	1,047
Travel	2,420	1,135
Information Services	996	249
Insurance Coverage	4,216	3,960
Bank Charges	807	824
Cleaning Council Premises	4,739	3,740
Professional Services	45,182	51,069
Training	-	1,643
Social and Cultural Events	70,419	31,494
Sundry Minor Expenses	-	207
Increase in provision for doubtful debts	-	5,410
Depreciation	37,049	55,936
	<u>215,822</u>	<u>198,313</u>

12. Investment Income

	2022	2021
	€	€
Investment income	93	-
	<u>93</u>	<u>-</u>

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

13. Property, plant and equipment

	Urban Improvements €	Street lights, Mirrors & Playground Eq. €	Furniture & Fittings €	New Street Signs and Lighting €	Office Equipment €	Computer Equipment €	Motor vehicles €	Assets under construction €	Special Programmes €	Total €
Cost										
At 1 January 2022	54,314	100,101	38,984	75,507	36,423	27,723	18,270	430,467	1,148,328	1,930,117
Additions	3,500	-	-	-	-	1,552	-	245,782	-	250,834
At 31 December 2022	<u>57,814</u>	<u>100,101</u>	<u>38,984</u>	<u>75,507</u>	<u>36,423</u>	<u>29,275</u>	<u>18,270</u>	<u>676,249</u>	<u>1,148,328</u>	<u>2,180,951</u>
Depreciation										
At 1 January 2022	32,168	87,761	26,340	75,507	29,987	21,613	13,398	-	454,022	740,796
Charge for the year	6,597	1,086	1,682	-	2,778	3,048	3,654	-	16,672	35,517
At 31 December 2022	<u>38,765</u>	<u>88,847</u>	<u>28,022</u>	<u>75,507</u>	<u>32,765</u>	<u>24,661</u>	<u>17,052</u>	<u>-</u>	<u>470,694</u>	<u>776,313</u>
Grants										
At 1 January 2022	-	-	-	-	-	-	-	361,056	587,856	948,912
Additions	-	-	-	-	-	-	-	122,851	-	122,851
At 31 December 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>483,907</u>	<u>587,856</u>	<u>1,071,763</u>
Net Book values										
At 31 December 2022	<u>19,049</u>	<u>11,254</u>	<u>10,962</u>	<u>-</u>	<u>3,658</u>	<u>4,614</u>	<u>1,218</u>	<u>192,342</u>	<u>89,778</u>	<u>332,875</u>

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

13. Property, plant and equipment (cont.)

	Urban Improvements €	Street lights, Mirrors & Playground Eq. €	Furniture & Fittings €	New Street Signs and Lighting €	Office Equipment €	Computer Equipment €	Motor vehicles €	Assets under construction €	Special Programmes €	Total €
Cost										
At 1 January 2021	53,199	100,101	36,834	55,070	34,609	26,395	18,270	234,591	1,097,822	1,656,891
Additions	1,115	-	2,150	20,437	1,814	1,328	-	195,876	50,506	273,226
At 31 December 2021	<u>54,314</u>	<u>100,101</u>	<u>38,984</u>	<u>75,507</u>	<u>36,423</u>	<u>27,723</u>	<u>18,270</u>	<u>430,467</u>	<u>1,148,328</u>	<u>1,930,117</u>
Depreciation										
At 1 January 2021	25,170	86,674	24,646	55,070	26,992	17,669	9,744	-	440,435	686,400
Charge for the year	6,998	1,087	1,694	20,437	2,995	3,944	3,654	-	13,587	54,396
At 31 December 2021	<u>32,168</u>	<u>87,761</u>	<u>26,340</u>	<u>75,507</u>	<u>29,987</u>	<u>21,613</u>	<u>13,398</u>	<u>-</u>	<u>454,022</u>	<u>740,796</u>
Grants										
At 1 January 2021	-	-	-	-	-	-	-	220,549	567,603	788,152
Additions	-	-	-	-	-	-	-	140,507	20,253	160,760
At 31 December 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>361,056</u>	<u>587,856</u>	<u>948,912</u>
Net Book values										
At 31 December 2021	<u>22,146</u>	<u>12,340</u>	<u>12,644</u>	<u>-</u>	<u>6,436</u>	<u>6,110</u>	<u>4,872</u>	<u>69,411</u>	<u>106,450</u>	<u>240,409</u>

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)**14. Intangible Assets**

	Computer software	Total
	€	€
Cost		
At 1 January 2022	9,712	9,712
	<hr/>	<hr/>
At 31 December 2022	9,712	9,712
	<hr/>	<hr/>
Depreciation		
At 1 January 2022	5,585	5,585
Charge for the year	1,532	1,532
	<hr/>	<hr/>
At 31 December 2022	7,117	7,117
	<hr/>	<hr/>
Net Book value		
At 31 December 2022	2,595	2,595
	<hr/> <hr/>	<hr/> <hr/>
Cost		
At 1 January 2021	9,712	9,712
	<hr/>	<hr/>
At 31 December 2021	9,712	9,712
	<hr/>	<hr/>
Depreciation		
At 1 January 2021	4,045	4,045
Charge for the year	1,540	1,540
	<hr/>	<hr/>
At 31 December 2021	5,585	5,585
	<hr/>	<hr/>
Net Book value		
At 31 December 2021	4,127	4,127
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)**15. Receivables**

	2022	2021
	€	€
Trade receivables	39,542	82,376
Other receivables and accrued income	172,214	48,634
Prepayments	5,350	4,781
	217,106	135,791
	2022	2021
	€	€
Financial receivables	211,756	131,010
Non-financial receivables	5,350	4,781
	217,106	135,791
<i>Receivables</i>		
Credit period analysis:		
	2022	2021
	€	€
Within credit period	32,412	66,043
Exceeded credit period but not impaired	7,130	16,333
Impaired and provided for	106,089	114,417
Provision for doubtful debts	(106,089)	(114,417)
	39,542	82,376
Impaired and written off	-	-
	2022	2021
	€	€
61 - 90 days	7,986	7,204
91 - 120 days	6,440	668
Over 120 days	24,971	21,074
	39,397	28,946

Impairment recognized on receivables relates to all outstanding monies due from the Law Enforcement Pre-Pooling System amounting Eur100,679 (2021: Eur109,007). The balances are older than two years and have been impaired in full in line with guidance received from the Department from Local Government.

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)**16. Cash & cash equivalents**

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts.

	2022	2021
	€	€
Cash at Bank	535,204	653,779
Cash in Hand	<u>177</u>	<u>137</u>
	<u>535,381</u>	<u>653,916</u>

17. Payables

	2022	2021
	€	€
Payables	333,100	216,299
Other payables	60,824	63,033
Deferred Income	110,319	50,000
Accruals	91,325	143,091
	<u>595,568</u>	<u>472,423</u>

	2022	2021
	€	€
Financial liabilities	485,249	422,423
Non-financial liabilities	110,319	50,000
	<u>595,568</u>	<u>472,423</u>

	2022	2021
	€	€
Within credit period	288,877	81,586
Exceeded credit period but not impaired	44,223	134,713
	<u>333,100</u>	<u>216,299</u>

	2022	2021
	€	€
61 - 90 days	55,536	3,798
91 - 120 days	135,674	83,858
Over 120 days	53,857	50,855
	<u>245,067</u>	<u>138,511</u>

Included in the accounts payable are amounts due to related parties amounting to €50,179 (2021 : €55,337). These amounts are unsecured, interest free and repayable on demand.

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)**18. Contingent Liability and Assets**

The Council receives motor claims from third parties suffering damages when using the streets of the Locality. The claims are assessed by the Council before acceptance of liability.

As at 31st December 2022, the Council did not have any contingent liabilities.

There are a number of cases before the revision Board of Planning Authority where the Council is appearing as an interested third party thereto but this should not have any financial impact on the said council.

19. Capital Commitments

	2022	2021
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	196,000	839,417
- Contracted for but not provided in the financial statements	170,000	297,989
	<u>196,000</u>	<u>839,417</u>
(i) Approved but not yet contracted for:		
Kartocc	-	15,000
Resurfacing Ibragg Road	-	525,545
Madliena Environmental Trail	100,000	-
Green walls	-	100,000
Gnien Maurice CC	85,000	87,200
Rubble wall Madliena	-	100,672
Furniture & fittings	3,000	3,000
Office equipment	3,000	3,000
Computer equipment	4,000	4,000
Computer software	1,000	1,000
	<u>196,000</u>	<u>839,417</u>
(i) Contracted for but not provided in the Financial Statements:		
Club House	70,000	97,267
Gnien Esprit Barthet (Victoria Gardens)	100,000	200,722
	<u>170,000</u>	<u>297,989</u>

The Council will be refunded for part of the above capital commitments from the Development Planning Fund.

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)**20. 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, Councils also receive funds relating to specific projects as well as other funds for the improvement and betterment of the locality.

21. 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.

Summary of financial assets and liabilities by category:

	2022	2021
	€	€
Current Assets		
Loans and receivables:		
Accounts and other receivables	211,756	131,010
Cash and Cash Equivalents	535,381	653,916
	747,137	784,926
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	333,100	216,299
Other payables	60,824	63,033
Accruals	91,325	143,091
	485,249	422,423

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 and cash equivalents the amount of €535,381.

This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive current net asset position of €156,919 (2021: €317,284) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)**21. Financial Risk Management (cont.)***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 currency transactions.

Interest Rate Risk

The Council does not operate any bank accounts which have financing facilities and as a result, the Council is not exposed to cash flow interest rate risk on bank balances.

Market risks

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

Other risks

The Council's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Council to cash flow interest rate risk. In general, the Council's exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows are not deemed to be substantial by the Councillors and Executive Secretary in view of the nature of the assets and liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.

22. Related party transactions

During the year under review, the Council carried out transactions with the following related parties:

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Government	Significant control
Regional Committee (Local Enforcement)	Joint control
Inland Revenue Department	No control
Local Enforcement System Agency	No control
Central Regional Committee	No control
Gozo Regional Committee	No control
South Eastern Regional Committee	No control
South Regional Committee	No control
Local Enforcement System Agency	No control
Planning Authority	No control
Malta Information Technology Agency	No control
Water Services Corporation	No control
Enemalta Corporation	No control
ARMS Limited	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Police General Headquarters	No control
Department of Lands	No control
Airmalta plc	No control
Bank of Valletta plc	No control
Malta Tourism Authority	No control
Office of the Prime Minister	No control

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)**22. Related party transactions (cont.)**

The amounts due from / to related parties at year-end are disclosed in notes 16 and 18. The terms and conditions do not specify the nature of the consideration to be provided in settlement. These amounts are unsecured, interest free and repayable on demand.

	Related party activity €	2022 Total activity €	%	Related party activity €	2021 Total activity €	%
<i>Income</i>						
Transactions with central government	913,251			958,118		
Transactions with regions/LESA	6,399			7,520		
	<u>919,650</u>	<u>980,212</u>	<u>94</u>	<u>965,638</u>	<u>1,019,848</u>	<u>95</u>
 <i>Expenditure</i>						
Transactions with government entities	75,712			79,645		
Key personnel remuneration	165,913			155,244		
	<u>241,625</u>	<u>1,049,736</u>	<u>23</u>	<u>234,889</u>	<u>1,014,576</u>	<u>23</u>

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

23. Fair values estimation

At 31 December 2022 and at 31 December 2021, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively, approximated their fair values due to the short term maturities of these assets and liabilities. The fair values of non-current financial assets and non-current financial liabilities are not materially different from their carrying amount.

Report of the Local Government Auditors to the Auditor General

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