

Xgħajra Local Council

Annual Report and Financial Statements  
31 December 2022

*Prepared by Paul Bugeja CPA*

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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 income and expenditure for the year and of the Council's retained funds at the end of the year. By virtue of the same regulations, it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Council (Financial) Regulations, 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 has approved by the Council on \_\_\_\_\_ and signed on its behalf by:

**Neil Attard**  
Mayor

**Ranier Busuttill**  
Executive Secretary

**Statement of Profit or Loss**

	Notes	2022 €	2021 € Re-stated
<b>Income</b>			
Funds received from Central Government	3	<b>284,323</b>	264,904
Income raised under Local Enforcement System	4	<b>1,071</b>	2,331
General income	5	<b>18,033</b>	13,441
		<b>303,427</b>	280,676
<b>Expenditure</b>			
Personal emoluments	6	<b>112,373</b>	114,731
Operations and maintenance	7	<b>88,428</b>	104,981
Administrative and other expenditure	8	<b>135,079</b>	99,052
		<b>335,880</b>	318,764
<b>Loss for the year</b>		<b>(32,453)</b>	(38,088)

*The notes on pages 6 to 30 form an integral part of these financial statements*

**Statement of Financial Position**

	Notes	2022 €	2021 € Re-stated
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible asset	10	855	701
Property, plant and equipment	11	55,686	51,252
		<u>56,541</u>	<u>51,953</u>
<b>Current assets</b>			
Receivables	12	33,895	25,731
Cash and cash equivalents	13	122,620	135,297
		<u>156,515</u>	<u>161,028</u>
<b>Total Assets</b>		<u>213,056</u>	<u>212,981</u>
<b>Reserves</b>			
(Accumulated loss)/ Retained fund		<u>(23,784)</u>	<u>8,669</u>
<b>Current Liabilities</b>			
Payables	14	236,841	204,312
<b>Total Reserves and Liabilities</b>		<u>213,056</u>	<u>212,981</u>

These financial statements were approved by the Local Council on \_\_\_\_\_ and are signed on its behalf by:

Neil Attard  
Mayor

Ranier Busuttil  
Executive Secretary

*The notes on pages 6 to 30 form an integral part of these financial statements*

**Statement of Changes in Equity**

	<b>Retained Funds €</b>	<b>Total €</b>
Balance at 1 January 2021	46,757	46,757
Total comprehensive loss for the financial year	(43,873)	(43,873)
<b>Balance at 31 December 2021</b>	<b>2,884</b>	<b>2,884</b>
Balance at 1 January 2022	2,884	2,884
Effect of prior-year adjustment	5,785	5,785
Balance at 1 January 2022 as restated	8,669	8,669
Total comprehensive loss for the financial year	(32,453)	(32,453)
<b>Balance at 31 December 2022</b>	<b>(23,784)</b>	<b>(23,784)</b>

*The notes on pages 6 to 30 form an integral part of these financial statements*

**Statement of Cash Flows**

	Notes	2022 €	2021 € Re-stated
<b>Cash flows used in operating activities</b>			
<b>Loss for the year</b>		<b>(32,453)</b>	<b>(38,088)</b>
Adjustments for:			
Decrease in provision for doubtful LES debtors/other debtors		(1,435)	(291)
Depreciation		12,263	11,198
Amortisation charge		413	366
Release in grant		(18,991)	(1,427)
<b>Deficit for the period before working capital movements</b>		<b>(40,203)</b>	<b>(28,242)</b>
Movement in receivables		(8,165)	3,270
Movement in payables		32,529	26,626
<b>Net cash (used in)/generated from operating activities</b>		<b>(15,839)</b>	<b>1,654</b>
<b>Cash flows used in investing activities</b>			
Payment to acquire property, plant and equipment	11a	(12,289)	(7,383)
Payment to acquire intangible asset	10	(567)	-
<b>Net cash used in investing activities</b>		<b>(12,856)</b>	<b>(7,383)</b>
<b>Cash flows generated from financing activities</b>			
Government grants		10,554	4,282
<b>Net cash generated from investing activities</b>		<b>10,554</b>	<b>4,282</b>
<b>Movement in cash and cash equivalents</b>		<b>(18,141)</b>	<b>(1,447)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>129,286</b>	<b>130,733</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>111,145</b>	<b>129,286</b>

## Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

<b>Net debt</b>	2022 €	2021 €
Cash and cash equivalents	122,620	135,297
Borrowings – repayable within one year (including overdraft)	(11,475)	(6,011)
<b>Net debt</b>	<b>111,145</b>	<b>129,286</b>

*The notes on pages 6 to 30 form an integral part of these financial statements*

## **Notes to the Financial Statements For the year ended 31 December 2022**

### **1. Statutory Information**

Xghajra Local Council is the local authority of Xghajra setup in accordance with the Local Councils Act (1993). The Office of the Local Council is situated at Delle Grazie Battery, Xghajra.

### **2. Accounting policies and reporting procedures**

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**

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 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 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.

#### **i. Use of estimates and judgements**

In preparing the financial statements, the Executive Secretary is required to make judgements, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgment are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and, if a change is needed, it is accounted for in the year the changes become known. Except for the below, in the opinion of the Executive Secretary, the accounting estimates, assumptions 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 significant in terms of the requirements of IAS 1 (revised) - 'Presentation of financial statements'.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are described below.

**2. Accounting policies and reporting procedures - continued****ii. Standards, amendments and interpretations that are effective from 1 January 2022**

Some accounting pronouncements which have become effective from 1 January 2022 and have therefore been adopted do not have a significant impact on the Local Council's financial results or position.

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

At the date of authorization 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 Local Council.

Management anticipates that all of the relevant pronouncements will be adopted in the Local Council's accounting policies for the first period beginning after the effective date of the pronouncement. No new standards, amendments and interpretations are expected to be relevant to the Local Council's financial statements.

**b. Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business, net of value-added tax and discounts, where applicable.

To determine whether to recognise revenue, the Local Council follows a 5-step process:

- i. Identifying the contract with a customer
- ii. Identifying the performance obligations
- iii. Determining the transaction price
- iv. Allocating the transaction price to the performance obligations
- v. Recognising revenue when/as performance obligations are satisfied.

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.

**c. 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 functional currency"). The Euro is the Local Council's functional and presentation currency.

**2. Accounting policies and reporting procedures – continued****d. Local Enforcement System**

The Local Council disclosed the administrative fee on the amount of contraventions paid at the Local Council and amount distributed from LESA and Regional Committees. The LESA and Regional Committees were taken over in 2015.

**e. Government grants**

Government grants are not recognised until there is reasonable assurance the Local Council will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in the profit or loss on a systematic basis over the periods in which the Local Council recognises as expenses the related costs for which the grants are intended to compensate. Specifically, governments grants whose primary condition is that the Local Council should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are accounting for using the capital approach, and are deducted from the carrying amount of the relative non-current asset.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Local Council with no future related costs are recognised in profit or loss in the period in which they become receivable.

**f. Intangible assets**

Intangible asset with finite useful lives is carried at cost less accumulated depreciation and accumulated impairment loss. Amortisation is recognised on a straight line basis over the estimated useful live which is disclosed in note 10. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible asset with indefinite useful lives that is acquired separately is carried at cost less accumulated impairment losses.

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 h).

**2. Accounting policies and reporting procedures – continued****g. Property, plant and equipment**

Property, plant and equipment are initially recorded at cost and are subsequently stated at cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items.

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 Group, 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.

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% - 19%
• Construction works	10% - 63%
• Urban Improvements (Street Furniture)	10% - 63%
• Special Projects	10%
• Office Equipment	20% - 25%
• Motor Vehicles	20%
• Plant and Machinery	20% - 22%
• Computer Equipment	25%
• Litter Bins	100%
• Traffic and Road Signs	100%
• Street Lights	100%
• Playground Furniture	100%

Other plant and equipment are on a replacement basis.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount, and are taken into account in determining operating profit.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (Accounting policy (h)).

**2. Accounting policies and reporting procedures – continued****h. Impairment of non-financial assets**

At each reporting date, the Local Council reviews the carrying amounts of its property, plant and equipment 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 to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Local Council estimates the recoverable amount of the cash-generating unit to which the asset belongs. When 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 of disposal 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 (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) 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 and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but 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 to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

**i. Fair value measurement**

The Local Council measures non-financial assets such as investment properties at fair value at each statement of financial position date.

**2. Accounting policies and reporting procedures – continued****i. Fair value measurement – continued**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Local Council. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Local Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Local Council determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

**j. Financial instruments**

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

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

**2. Accounting policies and reporting procedures – continued****j. Financial instruments – continued****i) Financial assets***(a) Initial recognition and measurement*

Financial assets are classified, at initial recognition either at amortised cost, fair value through other comprehensive income (“OCI”) or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Local Council’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component, or for which the Local Council has applied the practical expedient, the Local Council initially measures a financial asset at its fair value.

Trade and other receivables that do not contain a significant financing component or for which the Local Council has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Local Council’s business model for managing financial assets refer to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

*(b) Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- a) Financial assets at amortised cost;
- b) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- d) Financial assets at fair value through profit or loss.

The Local Council does not hold any financial assets at fair value through OCI, financial assets designated at fair value through OCI and financial assets at fair value through profit or loss.

**2. Accounting policies and reporting procedures – continued****j. Financial instruments – continued****i) Financial assets – continued***Financial assets at amortised cost*

The Local Council measures financial assets at amortised cost if both of the following conditions are met:

- a) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (“EIR”) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Local Council’s financial assets at amortised cost are trade and other receivables and contract assets which are expected to be received within 1 year from year end.

*(c) Derecognition*

A financial asset is primarily derecognised when:

- a) The rights to receive cash flows from the asset have expired; or
- b) The Local Council has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party and either the Local Council has transferred substantially all the risks and rewards of the asset or the Local Council has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

*(d) Impairment*

The Local Council recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Local Council expects to receive, discounted at an approximate of the original effective interest rate. The expected cash flows will include cash flows from the sale of a collateral held or other credit enhancements that are integral to the contractual terms.

For trade and other receivables and contract assets, the Local Council applies a simplified approach in calculating ECLs. Therefore, the Local Council does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Local Council has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to debtors and the economic environment.

**2. Accounting policies and reporting procedures – continued****j. Financial instruments – continued****i) Financial assets – continued***(d) Impairment – continued*

The Local Council considers a financial asset in default when contractual payments are ninety (90) days past due. However, in certain cases, the Local Council may also consider a financial asset to be in default when internal or external information indicates that the Local Council is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Local Council. A financial asset is written-off when there is no reasonable expectation of recovering the contractual cash flows.

**ii) Financial liabilities and equity***a) Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*b) Financial liabilities*

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Local Council, are measured in accordance with the specific accounting policies set out below.

*Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if either:

- It has been acquired principally for the purpose of repurchasing it in the near term.
- On initial recognition it is part of a portfolio of identified financial instruments that the Local Council manages together and has a recent actual pattern of short-term profit-taking.
- It is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

**2. Accounting policies and reporting procedures – continued****j. Financial instruments – continued***b) Financial liabilities – continued*

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if either:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Local Council's documented risk management or investment strategy, and information about the grouping is provided internally on that basis
- It forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'Other gains and losses' line item in profit or loss.

**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, net of bank overdrafts.

**l. Employee benefits**

The Local Council contributes towards the state pension in accordance with local legislation. The only obligation is to make the required contributions. Costs are expensed in the year in which they are incurred.

**m. Profits and losses**

Only profits that were realized at the date of the 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.

**n. Provisions**

Provisions are recognised when the Council has a present obligation (legal or constructive) as a result of a past event, it is probable that the Council will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

**2. Accounting policies and reporting procedures – continued****n. Provisions – continued**

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**3. Funds received from Central Government**

	<b>2022</b>	2021
	€	€
		Re-stated
In terms of Section 55 of the Local Councils Act (Cap 363)	<b>257,632</b>	246,631
Other Supplementary Government Income	-	6,529
Other Government Income	<b>26,691</b>	11,744
	<b>284,323</b>	264,904

**4. Income raised under Local Enforcement System**

	<b>2022</b>	2021
	€	€
Administrative Fee	<b>1,071</b>	1,036
LESA Distribution	-	1,295
	<b>1,071</b>	2,331

**5. General income**

	2022 €	2021 €
General income	5,266	3,716
Organic waste income	12,767	9,725
	<u>18,033</u>	<u>13,441</u>

**6. Personal emoluments**

	2022 €	2021 €
Mayor's allowance	13,142	12,971
Executive Secretary salary and allowances	41,955	33,040
Employees' salaries	40,981	51,354
Social security contributions	5,695	6,776
Councillors' remuneration	10,600	10,590
	<u>112,373</u>	<u>114,731</u>

**7. Operations and maintenance**

	2022 €	2021 €
<b>Repairs and upkeep:</b>		
Public property and road markings	2,299	15,851
Signs	2,074	5,064
Other	220	591
	<u>4,593</u>	<u>21,506</u>

	2022 €	2021 €
<b>Contractual services:</b>		
Refuse collection (including bins on wheels and open skips)	45,101	29,730
Bulky Refuse Collection	7,825	7,731
Road and street cleaning (mechanical and manual)	5,730	22,294
Cleaning and Maintenance of Parks and Gardens	729	3,000
Cleaning and Maintenance of Council Premises	135	540
Cleaning and Maintenance of Public Conveniences	3,420	2,341
Street lighting	1,597	1,074
Wasteserv	19,298	16,765
	<u>83,835</u>	<u>83,475</u>
	<u>88,428</u>	<u>104,981</u>

**8. Administration and other expenditure**

	2022 €	2021 € Re-stated
Amortisation charge	413	366
Decrease in provision for doubtful debtors	(1,435)	(291)
Bad Debt written off	1,435	34
Bank charges	483	369
Community services & events	30,109	13,124
Depreciation	12,264	11,198
Hospitality costs	1,719	173
Information services	-	10
Insurance	2,841	2,408
Lease of equipment	3,171	2,010
Library	1,218	24
Local enforcement expenditure	-	15
Maintenance of vehicles and fuel	1,035	1,713
Materials & supplies	9,372	7,504
National & International membership fee	380	-
Office services	36,471	16,793
Professional services	17,345	26,752
Rent	12,781	11,665
Overseas tickets and twinning expenses	-	878
Sundry expenses	422	434
Transport	540	249
Utilities	4,515	3,624
	<u>135,079</u>	<u>99,052</u>

**9. Loss for the year**

Loss for the year has been arrived at after charging/(crediting)

	2022 €	2021 €
Depreciation of property, plant and equipment (see note 11)	12,263	11,198
Amortisation of intangible asset (see note 10)	413	366
Decrease in provision for doubtful debts (see note 12)	(1,435)	(291)
	<u>11,241</u>	<u>11,273</u>

**10. Intangible asset**

	<b>2022</b>
	<b>€</b>
<b>As at 1 January 2022</b>	
Cost	1,463
Accumulated amortisation	(762)
	<u>701</u>
<b>Movements for year 31 December 2022</b>	
Net book value	701
Additions	567
Amortisation charge	(413)
	<u>855</u>
<b>As at 31 December 2022</b>	<b>855</b>
<b>As at 31 December 2022</b>	
Cost	2,030
Accumulated amortisation	(1,175)
	<u>855</u>
<b>As at 31 December 2022</b>	<b>855</b>

Amortisation charge of €413 (2021: €366) is included in administrative expenses.

**11a. Property, plant and equipment**

Asset	Plant and machinery	Office furniture and fittings	Office & computer equipment	Litter Bins	Motor Vehicles	Urban improvements	New street signs	Construction	Special Programmes	Assets under construction	Trees	Total
	€	€	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>												
As at 1 January 2022	9,239	19,631	32,213	2,394	8,130	215,768	17,028	217,209	61,989	416,570	22,017	1,022,188
Additions	202	-	10,790	-	-	17,263	-	-	-	-	-	28,255
As at 31 December 2022	9,441	19,631	43,003	2,394	8,130	233,031	17,028	217,209	61,989	416,570	22,017	1,050,443
<b>Grants and other reimbursements</b>												
As at 1 January 2022	-	-	2,300	-	2,330	94,703	-	114,167	61,989	410,740	22,017	708,246
Additions	-	-	4,567	-	-	6,991	-	-	-	-	-	11,558
As at 31 December 2022	-	-	6,867	-	2,330	101,694	-	114,167	61,989	410,740	22,017	719,804
<b>Accumulated Depreciation</b>												
As at 1 January 2022	7,413	16,230	26,054	2,394	3,577	90,783	17,028	99,211	-	-	-	262,690
Charge for the year	669	639	4,365	-	1,160	4,551	-	879	-	-	-	12,263
As at 31 December 2022	8,082	16,869	30,419	2,394	4,737	95,334	17,028	100,090	-	-	-	274,953
<b>Net Book Value</b>												
As at 31 December 2022	1,359	2,762	5,717	-	1,063	36,003	-	2,952	-	5,830	-	55,686

**11b. Property, plant and equipment – Re-stated**

Asset	Plant and machinery	Office furniture and fittings	Office & computer equipment	Litter Bins	Motor Vehicles	Urban improvements	New street signs	Construction	Special Programmes	Assets under construction	Trees	Total
	€	€	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>												
As at 1 January 2021	9,239	18,631	31,503	2,394	8,130	210,095	17,028	217,209	61,989	416,570	17,111	1,009,899
Additions	-	1,000	710	-	-	5,673	-	-	-	-	4,906	12,289
As at 31 December 2021	9,239	19,631	32,213	2,394	8,130	215,768	17,028	217,209	61,989	416,570	22,017	1,022,188
<b>Grants and other reimbursements</b>												
As at 1 January 2021	-	-	2,300	-	2,330	89,055	-	114,167	61,989	410,740	17,111	697,692
Additions	-	-	-	-	-	5,648	-	-	-	-	4,906	10,554
As at 31 December 2021	-	-	2,300	-	2,330	94,703	-	114,167	61,989	410,740	22,017	708,246
<b>Accumulated Depreciation</b>												
As at 1 January 2021	6,741	15,604	23,722	2,394	2,417	85,856	17,028	97,730	-	-	-	251,492
Charge for the year	672	626	2,332	-	1,160	4,927	-	1,481	-	-	-	11,198
As at 31 December 2021	7,413	16,230	26,054	2,394	3,577	90,783	17,028	99,211	-	-	-	262,690
<b>Net Book Value</b>												
As at 31 December 2021	1,826	3,401	3,859	-	2,223	30,282	-	3,831	-	5,830	-	51,252

**12. Receivables**

	<b>2022</b>	2021
	€	€
Receivables	<b>5,124</b>	4,443
LES Debtors	<b>20,571</b>	22,006
Less: Provision for bad debts	<b>(20,571)</b>	(22,006)
Accrued income	<b>11,390</b>	7,893
	<b>16,514</b>	12,336
Prepayments	<b>3,324</b>	4,075
Other debtors	<b>14,057</b>	9,320
	<b>33,895</b>	25,731

The average credit period on sales of services is 60 days. No interest is charged on outstanding receivables. Trade 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.

	<b>2022</b>	2021
	€	€
<b>Age of receivables that are past due but not impaired</b>		
60-90 days	<b>1,878</b>	2,032
91-120 days	<b>3,246</b>	1,770
Total	<b>5,124</b>	3,802

In determining the recoverability of receivables, the Council considers any change in the credit quality of the trade 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.

	<b>2022</b>	2021
	€	€
LES Debtors	<b>20,571</b>	22,006

**12. Receivables - continued**

	2022 €	2021 €
<b>Movement in the allowance for doubtful debts</b>		
Balance at beginning of year	22,006	22,297
Reversal of impairment loss	(1,435)	(291)
Balance at end of year	<u>20,571</u>	<u>22,006</u>

**13. Cash and cash equivalents**

For the purposes of the statement of cash flows, the cash and cash equivalents at the end of the year comprise the following:

	2022 €	2021 €
Cash in hand	330	333
Bank balances	122,290	134,964
	<u>122,620</u>	<u>135,297</u>

**14. Payables**

	2022 €	2021 € Re-stated
Trade payables	78,435	81,517
Other payables	702	329
Advance payments and deferred income	105,899	84,526
Accruals	39,123	26,722
Government grant	1,207	5,207
Bank balance overdrawn	11,475	6,011
	<u>236,841</u>	<u>204,312</u>

The total financial liabilities for the year amounted to €236,841 (2021: €204,312).

Trade payables and accruals principally comprise amounts outstanding for ongoing costs. The average credit period is 30 days.

**15. 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 3, 5, 7 and 8 to these financial statements. The following were the related parties:

<b>Name of Entity</b>	<b>Nature of relationship</b>
Department of Local Government	Significant control
Gozo Regional Committee	No control
Central Regional Committee	No control
North Regional Committee	No control
South Regional Committee	No control
South Eastern Regional Committee	Joint control
LESA	No control
ARMS Ltd	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
Department of Inland Revenue	No control
Wasteserv Malta Ltd	No control
Bank of Valletta plc	No control
Central Bank of Malta	No control
Police General Headquarters	No control
Local Council Associations	No control
Commissioner of Data Protections	No control
Ministry of Finance	No control
Ministry for Justice, Culture and Local Government	No control
Department of Information	No control
ARMS Ltd	No control
Department of Inland Revenue	No control

The following transactions were carried out with related parties:

	<b>2022</b>	2021
	€	€
<b>(a) Funds received from Local Government</b>	<b>284,323</b>	Re-stated 264,904
	<b>2022</b>	2021
	€	€
<b>(b) Administrative fees from Regional Committees</b>	<b>1,071</b>	1,036

**15. Related party transactions - continued****Key management compensation**

Transactions with key management personnel are disclosed in note 6.

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

**16. Financial risk management****Overview**

The Local Council has an exposure to the following risks arising from the use of financial instruments within its activities:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Local Council's exposure to each of the above risks, policies and processes for measuring and managing risk, and the Local Council's management of capital. Further quantitative disclosures are included in these financial statements.

The responsibility for the management of risk is vested in the Executive Secretary. Accordingly, it is the Executive Secretary who have the overall responsibility for establishing an appropriate risk management framework.

**Credit risk**

Credit risk is the risk of financial loss to the Council if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Local Council's trade and other receivables and cash and cash equivalents held at banks. The carrying amounts of financial assets represent the maximum credit exposure.

The Local Council assesses the credit quality of its customers by taking into account their financial standing, past experience, any payments made post reporting date and other factors, such as bank references and the customers' financial position.

Management is responsible for the quality of the Local Council's credit portfolios and has established credit processes involving delegated approval authorities and credit procedures, the objective of which is to build and maintain assets of high quality.

The Local Council's policy is to deal only with credit worthy counterparties. The credit terms are generally 60 days. The Local Council regularly review the ageing analysis together with the credit limits per customer.

**16. Financial risk management - continued*****Credit risk*** - continued*Impairment of Trade and other receivables*

To measure the expected credit losses, trade and other receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. Management considers the probability of default from such trade and other receivables and contract assets to be not material. In view of this, the amount calculated using the 12-month expected credit loss model is considered to be very insignificant. Therefore, based on the above, no loss allowance has been recognised by the Local Council.

*Cash and cash equivalents*

The cash and cash equivalents held with banks as at 31 December 2022 and 2021 are callable on demand and held with local financial institutions with high quality standing or rating. Management considers the probability of default from such banks to be insignificant. Therefore, based on the above, no loss allowance has been recognised by the Local Council.

The Council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period and is summarised as follows:

	<b>2022</b>	2021
	€	€
Classes of financial assets – carrying amounts		
Trade and other receivables	<b>16,514</b>	12,336
Cash and cash equivalents	<b>122,620</b>	135,297
	<b>139,134</b>	147,633

***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 €122,620. This should ensure an ongoing working capital of the Council for the next 12 months.

**16. Financial risk management - continued****Liquidity risk - continued**

At 31 December 2022 the Council's financial liabilities have contractual maturities which are summarised below:

**At 31 December 2022**

	Current Within 1 year €	1 to 2 years €	Non-current 1 to 5 years €	Later than 5 years €
Payables	78,435	-	-	-
Advance payments and deferred income	105,899	-	-	-
Accruals	39,123	-	-	-
Bank balance overdrawn	11,475	-	-	-

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

**At 31 December 2021 – Re-stated**

	Current Within 1 year €	1 to 2 years €	Non-current 1 to 5 years €	Later than 5 years €
Payables	81,517	-	-	-
Advance payments	84,526	-	-	-
Accruals	26,722	-	-	-
Bank balance overdrawn	6,011	-	-	-

**16. Financial risk management - continued****Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates, will affect the fair value or future cash flows of a financial instrument. The objective of market risk is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The operating cash flows of the Local Council are influenced by changes in market interest rates. Up to the statement of financial position date, the Local Council did not have any hedging arrangements with respect to the exposure of floating interest rate risk. The Local Council is not exposed to foreign exchange risk since all operations are conducted locally in the Local Council's functional currency.

**Foreign currency risk**

Foreign currency transaction arise when the Local Council buys or sells goods or services 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 is to optimise the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense.

**17. 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:

	2022 €	2021 € Re-stated
<b>Current assets</b>		
Loans and receivables:		
Trade and other receivables	16,514	12,336
Cash and cash equivalents	122,620	135,297
	<b>139,134</b>	<b>147,633</b>
<b>Current liabilities</b>		
Financial liabilities measured at amortised costs:		
Payables	78,435	81,517
Other payables	106,601	84,526
Accruals	39,123	26,722
Bank balance overdrawn	11,475	6,011
	<b>235,634</b>	<b>198,776</b>

**18. Prior year adjustment**

The Council received an invoice from a supplier in 2022 that is related to an expense for the financial year 31 December 2021 and which was completely omitted from the books of that particular year. In addition to this, the Council had also omitted the release of grant from WSC agreement for invoices which had been recorded in financial year ending 31 December 2021 and subsequently the depreciation charge was incorrectly accounted for. A prior year adjustment is being passed to correctly reflect these transactions. The effect of the restatement on the financial statements is summarised below:

	<b>As previously stated</b>	<b>As re- stated</b>	<b>Difference</b>
	€	€	€
<b>Effect on income statement</b>			
Other government income	6,026	11,744	5,718
Administration and other expenditure	99,119	99,052	(67)
<b>Effect on balance sheet</b>			
Advance payment and deferred income	94,526	84,526	(10,000)
Property, plant and equipment	55,279	51,252	(4,027)
Payables	81,329	81,517	188

**19. 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.

**20. Events after the reporting date**

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

**Report of the Local Government Auditor to the Auditor General**

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