



MDINA LOCAL COUNCIL

**Annual Report
and
Financial Statements**

for the year ended 31 December 2022

Prepared by

Daniel Galea B. Accty. (Hons.) CPA

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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 a statement of the Local Council's comprehensive income for the year and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Council (Financial) Regulations, and the Local Council (Financial) Procedures issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, the Local Council (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Local Council on the 6th February 2023 and signed on its behalf by



Peter dei Conti Sant Manduca
Mayor



Mark Mallia
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	282,608	286,501
Income raised under Local Council Bye-Laws	5	10,677	13,444
Income raised under Local Enforcement System	6	319	391
General income	7	22,874	18,193
		<u>316,478</u>	<u>318,529</u>
Expenditure			
Personal emoluments	9	(111,955)	(95,251)
Operations and maintenance	10	(96,459)	(97,528)
Administrative and other expenditure	11	(84,307)	(51,034)
		<u>(292,721)</u>	<u>(243,813)</u>
Operating surplus for the year		23,757	74,716
Finance income		-	-
Surplus for the year		<u>23,757</u>	<u>74,716</u>


The notes on pages 8 to 24 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 €	2021 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	34,773	33,843
Intangible assets	13	-	-
		<u>34,773</u>	<u>33,843</u>
Current Assets			
Receivables	14	11,688	34,978
Cash and Cash Equivalents	15	371,836	287,821
		<u>383,524</u>	<u>322,799</u>
Total Assets		<u><u>418,297</u></u>	<u><u>356,642</u></u>
EQUITY AND LIABILITIES			
Reserves			
Retained Fund		<u>322,112</u>	298,354
		<u>322,112</u>	<u>298,354</u>
Current Liabilities			
Payables	16	35,087	50,788
Deferred income	17	61,098	7,500
		<u>96,185</u>	<u>58,288</u>
Total Equity and Liabilities		<u><u>418,297</u></u>	<u><u>356,642</u></u>

These financial statements were approved by the Local Council on 6th February 2023 and signed on its behalf by:



Peter dei Conti Sant Manduca
Mayor



Mark Mallia
Executive Secretary

The notes on pages 8 to 24 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	223,638
Surplus for the year	<u>74,716</u>
At 31 December 2021	<u><u>298,354</u></u>
At 1 January 2022	298,354
Surplus for the year	<u>23,757</u>
At 31 December 2022	<u><u>322,111</u></u>



The notes on pages 8 to 24 form an integral part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	<i>Notes</i>	2022 €	2021 €
Cash flows from Operating Activities			
Surplus for the year		23,757	74,716
Adjustments:			
Depreciation and amortisation	8	2,697	3,901
Increase in provision for doubtful debts	8	-	157
Operating profit before working capital changes		<u>26,454</u>	<u>78,774</u>
Decrease/(increase) in receivables		23,290	(7,560)
(Decrease)/increase in payables		<u>(23,201)</u>	<u>10,967</u>
Net cash generated from operating activities		<u><u>26,543</u></u>	<u><u>82,181</u></u>
Cash flows from Investing Activities			
Purchase of property, plant & equipment	12	(10,816)	(46,524)
Receipt of grants		<u>68,288</u>	<u>25,000</u>
Net cash generated from/(used in) investing activities		<u>57,472</u>	<u>(21,524)</u>
Net increase in cash and cash equivalents		84,015	60,657
Cash and cash equivalents at the beginning of the year		<u>287,821</u>	<u>227,164</u>
Cash and cash equivalents at the end of the year	15	<u><u>371,836</u></u>	<u><u>287,821</u></u>

The notes on pages 8 to 24 form an integral part of these financial statements

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

1. General Information

The Mdina Local Council (the "Local Council") is the local Authority of Malta set up in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at Corte Capitanale, Misrah il-Kunsill, Mdina. These financial statements were approved for issue by the Council Members on 6th February 2023. 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 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.

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:

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

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

Accounting Policies and Reporting Procedures (cont.)

Property, plant and equipment (cont.)

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.

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.

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 Local Council'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.

Receivables

Receivables 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 Local 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.



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

Accounting Policies and Reporting Procedures (cont.)

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 all substantial 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 instruments

Recognition and derecognition

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

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

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

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

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

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

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

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.



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

2. Accounting Policies and Reporting Procedures (cont.)

After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The Council's cash and cash equivalents, and most receivables fall into this category of financial instruments.

Impairment of financial assets

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

Recognition of credit losses is no longer dependent on the Council first identifying a credit loss event. Instead, the Council considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

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

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

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

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

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

Classification and measurement of financial liabilities

The Council's financial liabilities include payables.

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

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'finance costs' or 'finance income'.

Related parties

Related parties are those persons or bodies of persons having relationships with the Local 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 Local 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.



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

Accounting Policies and Reporting Procedures (cont.)

Local Enforcement System

As from September 2012, the income recognised in the Statement of Comprehensive Income was derived from the five Regional Committees and Local Enforcement System Agency. During the year under review, the Local Council also received income from the Joint Committee under the pooling system.

Government grants

Government grants relating to operating expenditure are recognized 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.

Foreign currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the Local Council operates. These financial statements are presented in €, which is the Council's functional and presentation currency.

Transactions denominated in foreign currencies are translated into € at the rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into € at the rates of exchange prevailing at the date of the Statement of Financial Position.

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.

Cash and cash equivalents

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

Capital Management

The Local Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objectives are to ensure:

- that the 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 Local Council carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was positive at the reporting date and has not changed significantly from the previous year. The Local Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.



Notes to the Financial Statements for the period ended 31 December 2022 (cont.)**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 Local 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	273,801	262,804
Other government income	8,807	23,697
	<u>282,608</u>	<u>286,501</u>

5. Income raised from Bye-Laws

	2022	2021
	€	€
Bye-Law - administration	6,441	8,839
Mdina entry permits	4,236	4,605
	<u>10,677</u>	<u>13,444</u>

6. Local enforcement system

	2022	2021
	€	€
Administrative charges to LESA and Regional Committees	319	391
	<u>319</u>	<u>391</u>

7. General Income

	2022	2021
	€	€
Income from MTA agreement	5,673	14,178
Income from permits	3,721	1,015
Other income	13,480	3,000
	<u>22,874</u>	<u>18,193</u>

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)**8. Surplus for the year**

	2022	2021
	€	€
Surplus for the year is stated after charging		
Staff salaries	111,955	95,251
Increase in provision for doubtful debts	-	157
Depreciation of property, plant and equipment	<u>2,697</u>	<u>3,901</u>

9. Staff salaries

	2022	2021
	€	€
Mayor's remuneration	10,740	10,570
Councillors' allowances	13,000	13,000
Executive Secretary salary and allowances	46,259	32,240
Employees' salaries	36,221	33,930
Social security contributions	<u>5,735</u>	<u>5,511</u>
	<u>111,955</u>	<u>95,251</u>

10. Operations and Maintenance

	2022	2021
	€	€
<i>Repairs and upkeep:</i>		
Signs	463	781
Road markings	68	130
Other repairs and upkeep	11,576	11,475
Sundry material	<u>3,031</u>	<u>853</u>
	<u>15,138</u>	<u>13,239</u>
<i>Contractual services:</i>		
Waste disposal	395	1,550
Refuse collection	12,194	20,088
Bulky refuse collection	396	951
Open skips & bring-in sites	1,861	2,345
Road & street cleaning	29,058	22,408
Cleaning & maintaining parks and gardens	30,974	32,284
Street lighting	<u>6,443</u>	<u>4,663</u>
	<u>81,321</u>	<u>84,289</u>
Total operations and maintenance costs	<u>96,459</u>	<u>97,528</u>

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

11. Administration and other expenditure

	2022	2021
	€	€
Utilities	5,201	4,185
Other repairs and upkeep	137	2,793
Rent	2,332	3,474
National and International Memberships	140	-
Office services	3,064	2,371
Transport	650	81
Travel	-	286
Information services	2,377	303
Lease of equipment	-	538
Insurance coverage	3,491	2,240
Bank charges	363	683
Professional services	16,675	16,417
Other support services	8,058	4,382
Hospitality	584	400
Community services	948	1,227
Cultural events	37,392	7,310
Local enforcement expenses	198	286
Bad debts written off	-	157
Depreciation	2,697	3,901
	<u>84,307</u>	<u>51,034</u>



MDINA LOCAL COUNCIL

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

12. Property, plant and equipment

	Construction €	Office Furniture and fittings €	Street Signs, Mirrors and Bins €	Urban Imp. Costumes and Umbrellas €	Motor Vehicles €	Plant and machinery €	Special programme s €	Office and computer equipment €	Trees €	Playground Fur, Plants and street Lights €	Total €
Cost											
At 1 January 2022	99,172	29,277	25,411	117,861	32,189	2,666	103,723	16,986	11,402	56,128	494,815
Additions	-	10,816	-	-	-	-	-	-	-	-	10,816
At 31 December 2022	99,172	40,093	25,411	117,861	32,189	2,666	103,723	16,986	11,402	56,128	505,631
Depreciation											
At 1 January 2022	99,172	22,819	25,411	105,075	-	2,666	-	14,896	-	56,128	326,167
Charge for the year	-	1,115	-	848	-	-	-	734	-	-	2,697
At 31 December 2022	99,172	23,934	25,411	105,923		2,666	-	15,630	-	56,128	328,864
Grants											
At 1 January 2022	-	-	-	4,726	25,000	-	103,723	1,356	-	-	134,805
At 31 December 2022	-	-	-	4,726	32,189	-	103,723	1,356	-	-	141,994
Net Book values											
At 31 December 2022	-	16,159	-	7,212	-	-	-	-	11,402	-	34,773

MDINA LOCAL COUNCIL

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

12. Property, plant and equipment (cont.)

	Construction	Office Furniture and fittings	Street Signs, Mirrors and Bins	Urban Imp, Costumes and Umbrellas	Motor Vehicles	Plant and machinery	Special programmes	Office and computer equipment	Trees	Playground Fur, Plants and street Lights	Total
	€	€	€	€	€	€	€	€	€	€	€
Cost											
At 1 January 2021	99,172	23,426	25,411	109,377	-	2,666	103,723	16,986	11,402	56,128	448,291
Additions	-	5,851	-	8,484	32,189	-	-	-	-	-	46,524
At 31 December 2021	99,172	29,277	25,411	117,861	32,189	2,666	103,723	16,986	11,402	56,128	494,815
Depreciation											
At 1 January 2021	99,172	21,831	25,411	104,651	-	2,666	-	12,693	-	56,128	322,552
Charge for the year	-	988	-	424	-	-	-	2,203	-	-	3,615
At 31 December 2021	99,172	22,819	25,411	105,075		2,666	-	14,896	-	56,128	326,167
Grants											
At 1 January 2021	-	-	-	4,726	-	-	103,723	1,356	-	-	109,805
At 31 December 2021	-	-	-	4,726	25,000	-	103,723	1,356	-	-	134,805
Net Book values											
At 31 December 2021	-	6,458	-	8,060	7,189	-	-	734	11,402	-	33,843

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

13. Intangible assets

	Computer software €
Cost	
At 1 January 2022	1,898
At 31 December 2022	<u>1,898</u>
Depreciation	
At 1 January 2022	1,898
Charge for the year	-
At 31 December 2022	<u>1,898</u>
Net Book value	
At 31 December 2022	<u><u>-</u></u>
	Computer software €
Cost	
At 1 January 2021	1,898
At 31 December 2021	<u>1,898</u>
Depreciation	
At 1 January 2021	664
Charge for the year	1,234
At 31 December 2021	<u>1,898</u>
Net Book value	
At 31 December 2021	<u><u>-</u></u>



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

14. Receivables

	2022	2021
	€	€
Receivables	2,252	2,046
Accrued income	6,243	28,743
Financial assets	<u>8,495</u>	<u>30,789</u>
Prepayments	3,193	4,189
	<u><u>11,688</u></u>	<u><u>34,978</u></u>

Receivables

General receivables are analysed as follows:

	2022	2021
	€	€
Within credit period	2,252	1,892
Exceeded credit period but not impaired	-	154
Impaired and provided for	43,275	43,275
Provision for doubtful debts	<u>(43,275)</u>	<u>(43,275)</u>
	<u><u>2,252</u></u>	<u><u>2,046</u></u>

Local Enforcement System (LES) Debtors

LES Debtors are stated after a specific provision for doubtful debts amounting to €43,295 (2021: €43,295).

Included in the accounts receivable are amounts due from related parties amounting to €452 (2021 : €1,916). These amounts are unsecured, interest free and repayable on demand.

15. Cash and cash equivalents

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

	2022	2021
	€	€
Cash at Bank	371,516	287,720
Cash in Hand	320	101
	<u><u>371,836</u></u>	<u><u>287,821</u></u>

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

16. Payables

	2022	2021
	€	€
Payables	12,364	27,266
Other Payables	414	-
Accruals	22,309	23,522
	<u>35,087</u>	<u>50,788</u>

Included in the accounts payable are amounts to related parties amounting to €188 (2021 : €344). These amounts are unsecured, interest free and repayable on demand.

Contracted maturities of these payables are as follows:

2022	0-90 days	91-180 days	180-365 days	Total
	€	€	€	€
Payables	12,364	-	-	12,364
Other payables	414	-	-	414
Accruals	22,309	-	-	22,309
	<u>35,087</u>	<u>-</u>	<u>-</u>	<u>35,087</u>
2021	0-90 days	91-180 days	180-365 days	Total
	€	€	€	€
Payables	27,266	-	-	27,266
Accruals	23,522	-	-	23,522
	<u>50,788</u>	<u>-</u>	<u>-</u>	<u>50,788</u>

17. Deferred income

	2022	2021
	€	€
Government grants		
At 1 January	7,500	11,231
Increase in year	61,098	7,500
	<u>68,598</u>	<u>18,731</u>
Used during the year	(7,500)	(11,231)
	<u>61,098</u>	<u>7,500</u>
Current Deferred Income	<u>61,098</u>	<u>7,500</u>

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)**18. Capital commitments**

	2022	2021
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	120,000	80,000
- Contracted for but not provided in the financial statements	-	-
	<u>-</u>	<u>-</u>
(i) Approved but not yet contracted for:		
Upgrading of Howard Gardens	120,000	80,000
	<u>120,000</u>	<u>80,000</u>

19. Related party transactions

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department for Local Government	Significant control
North Joint Committee (Local Enforcement)	Joint Control
North Regional Committee	Joint Control
Central Regional Committee	No control
Gozo Regional Committee	No control
South Eastern Regional Committee	No control
South Regional Committee	No control
Planning Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Cleansing Services Department	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Police General Headquarters	No control
Department of Lands	No control
ARMS	No control
Bank of Valletta plc	No control
Mdina Primary School	No control
Department of Information	No control
MITA	No control
Association of Local Councils' Secretaries	No control
Ministry for Resources and Rural Affairs	No control
Local Councils Association	No control
Local Enforcement Systems Agency	No control



Notes to the Financial Statements for the year ended 31 December 2022 (cont.)**19. Related party transactions (cont.)**

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

	2022			2021		
	Related party activity €	Total activity €	%	Related party activity €	Total activity €	%
<i>Income</i>						
Transactions with central government	282,608			286,501		
Transactions with regions	319			391		
	<u>282,927</u>	<u>316,478</u>	<u>89</u>	<u>286,892</u>	<u>318,529</u>	<u>90</u>
<i>Expenditure</i>						
Transactions with government entities	7,928			9,209		
Key personnel remuneration	111,955			95,251		
	<u>119,883</u>	<u>292,721</u>	<u>41</u>	<u>104,460</u>	<u>243,813</u>	<u>43</u>

20. Ultimate controlling party

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

Credit risk

Financial assets which potentially subject the Local Council to concentrations of credit risk consist principally of cash at bank and debtors. The Local Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Local Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to receivables is monitored continuously and the Local Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Local Council has no significant concentration of credit risk.

The maximum exposure to credit risk for amounts receivable at the reporting date, net of impairment losses, by type of customer is as follows:

- Receivables from related parties: €452 (2021: €1,916)

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 Local Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact at year end, the Local Council has as cash and cash equivalents the amount of Euro 371,836.

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

This should ensure an ongoing working capital of the Local Council for the next 12 months. The Council also maintains a positive current net asset position of Euro 264,511 (2021: Euro 207,418) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

Foreign Currency Risk

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

Interest Rate Risk

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

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 Local Council's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Local Council to cash flow interest rate risk. In general, the Local 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.

Summary of financial assets and liabilities by category:

	2022	2021
	€	€
Current Assets		
Loans and receivables:		
Accounts and other receivables	8,495	30,789
Cash and Cash Equivalents	<u>371,836</u>	<u>287,821</u>
	<u>380,331</u>	<u>318,610</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	<u>12,364</u>	<u>27,266</u>

22. Fair value of financial assets and financial liabilities

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.

A handwritten signature in blue ink, consisting of a large, stylized initial 'A' followed by a smaller, more complex signature.

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke.