

**30 APR 2024**

**Local Council Zabbar**

**Annual Audit Report**

**for the year ended 31 December 2023**

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**Statement of Local Council Members' and Executive Secretary's Responsibilities  
for the year ended 31 December 2023**

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The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of comprehensive income for the year, and of the Local 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, 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 29 April 2024 and signed on its behalf by:

SIGNED

Jorge Grech  
Mayor

SIGNED

Stephanie Testaferrata De Noto  
Executive Secretary







**Statement of Comprehensive Income  
for the year ended 31 December 2023**

	Notes	2023 €	2022 €
<b>Revenue</b>			
Funds received from Central Government	3	1,120,884	1,199,565
Income raised under Local Council Bye-Laws	4	55,809	46,803
Income raised under Local Enforcement System	5	(78)	(26,107)
General income	7	4,378	4,110
		<u>1,180,993</u>	<u>1,224,371</u>
<b>Expenditure</b>			
Personal emoluments	8	(193,891)	(192,908)
Operations and maintenance	9	(601,986)	(589,458)
Administration and other expenditure	10	(239,206)	(213,090)
		<u>(1,035,083)</u>	<u>(995,456)</u>
<b>Operating profit for the year</b>		145,910	228,915
Finance income	6	635	316
<b>Profit for the year</b>	8	<u>146,545</u>	<u>229,231</u>

The notes on pages 9 to 24 form an integral part of these financial statements.

		2023	2022
	Notes	€	€
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	11	774,078	801,778
		<u>774,078</u>	<u>801,778</u>
<b>Current Assets</b>			
Receivables	12	181,327	80,545
Cash and cash equivalents	13	2,159,669	2,168,715
		<u>2,340,996</u>	<u>2,249,260</u>
<b>Total Assets</b>		<u><u>3,115,074</u></u>	<u><u>3,051,038</u></u>
<b>RESERVES AND LIABILITIES</b>			
Retained earnings		2,793,834	2,647,289
<b>Total reserves</b>		<u>2,793,834</u>	<u>2,647,289</u>
<b>Current Liabilities</b>			
Trade and other payables	14	296,643	379,152
Short-term borrowings	15	24,597	24,597
<b>Total Current Liabilities</b>		<u>321,240</u>	<u>403,749</u>
<b>Total Liabilities</b>		<u><u>321,240</u></u>	<u><u>403,749</u></u>
<b>Total reserves and liabilities</b>		<u><u>3,115,074</u></u>	<u><u>3,051,038</u></u>

These financial statements were approved by the Local Council on 29 April 2024 and signed on its behalf by:

SIGNED  
Jorge Grech  
Mayor

SIGNED  
Stephanie Testaferrata De Noto  
Executive Secretary

The notes on pages 9 to 24 form an integral part of these financial statements.

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

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	Retained Earnings	Total
	€	€
<b>At 1 January 2022</b>	2,418,058	2,418,058
Profit for the year	229,231	229,231
<b>At 31 December 2022</b>	<u>2,647,289</u>	<u>2,647,289</u>
<b>At 1 January 2023</b>	2,647,289	2,647,289
Profit for the year	146,545	146,545
<b>At 31 December 2023</b>	<u>2,793,834</u>	<u>2,793,834</u>

**Statement of Cash Flows  
for the year ended 31 December 2023**

	<b>2023</b>		<b>2022</b>	
	€	€	€	€
<b>Profit for the year</b>	146,545		229,231	
Reconciliation to cash generated from operations:				
Amortisation and depreciation	125,010		123,984	
Movement in provision for doubtful debts	(11,457)		(35,233)	
Interest receivable	(635)		(316)	
Operating surplus before working capital changes	259,463		317,666	
Decrease in receivables	40,187		25,244	
Increase in other receivables	(129,512)		(21,040)	
Increase in payables	33,862		113,488	
(Decrease)/increase in other payables	(116,371)		71,585	
Cash generated from operating activities		87,629		506,943
<b>Cash flow from investing activities</b>				
Interest received	635		316	
Purchase of property, plant & equipment	(127,784)		(154,111)	
Grants received	30,474		46,018	
Cash used in investing activities		(96,675)		(107,777)
<b>Net (decrease)/increase in cash and cash equivalents during the year</b>		(9,046)		399,166
Cash and equivalents at beginning of year		2,168,715		1,769,549
<b>Cash and equivalents at end of year (Note 13)</b>		2,159,669		2,168,715

**1. General Information**

The Zabbar 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 Civic Centre, Triq ic-Cawsli, Zabbar, Malta. These financial statements were approved for issue by the Local Council Members on 29 April 2024. The Local Council's presentation as well as functional currency is €.

**2. Material Accounting Policies**

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

Management has concluded that the disclosure of the entity's material accounting policies below are appropriate.

The material 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 (IFRSs) as adopted by the European Union (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 or revised Standards or Interpretations******New standards adopted as at 1 January 2023***

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

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

- o Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- o Definition of Accounting Estimates (Amendments to IAS 8)

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

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

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

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

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

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

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

#### ***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 of each asset over its expected useful life as follows:

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

Assets not yet capitalised represents projects of the Local Council and is stated at cost. Costs included under assets not yet capitalised will be transferred to various asset categories upon completion. The account is not depreciated until such time that the asset is completed and available for use.

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 end of the reporting period. 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 Local 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.

Fully depreciated assets are retained in the accounts until these are no longer in use and no further charge for depreciation is made in respect to those assets.

***Impairment of trade and other receivables***

Trade and other receivables are measured at fair value, with changes in fair value subsequently recognised in the statement of comprehensive income. The Local Council applies the simplified approach for all trade receivables and contract assets. Accordingly, the assessment to determine whether there is a significant increase in credit risk is not applicable for such financial assets.

Where the Local Council does not have reasonable and supportable information that is available without undue cost or effort to measure life time expected credit loss on an individual instrument basis and in order to ensure the life time expected credit losses are recognised before an asset becomes credit-impaired or an actual default occurs, life time expected credit losses on the remaining financial assets are measured on a collective basis. In such instances and where appropriate, the financial instruments are grouped on the basis of shared credit risk characteristics and the life time expected credit losses are estimated using a provision matrix based on actual credit loss experience over past years, which is adjusted to reflect current conditions and the Local Council's view of economic conditions over the expected lives of the receivables.

Such adjustments are based on factors that are specific to the debtors and economic and industry indicators such as Gross Domestic Product, unemployment rates and/or industry projections, where applicable, unless the effect is considered to be immaterial.

The Local Council's trade receivables are of a short-term nature as they are based on credit terms of less than one year and, thus, do not include a significant financing component.

For the purpose of the provision matrix, loss rates are calculated using a 'roll rate' method based on the probability a receivable progressing through successive stages of delinquency over a selected period, taking into consideration the applicable credit terms for such debtors and the past due status. Unless the effect is immaterial, for receivables after 360 days, the loss rate was adjusted to take into consideration the proportion of actual recoveries over the selected period.

***Impairment of cash and cash equivalents***

Cash and cash equivalents are demand deposits, a 1-day probability of default has been applied, based on the respective external ratings of the counterparty banks and an adequate loss given default rate to the carrying amount at the measurement date.

The Local Council banks with local financial institutions with high quality standing and rating and management consider the probability of default to be close to zero.

***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. Interest income is recognised in the statement of comprehensive income as it accrues.

***Local Enforcement System***

Up till August 2011, the Local Council used to manage the Local Enforcement System in its locality and used to receive all the income generated from the fines. As from 1 September 2011, the Local Council started to form part of the Southern Region, which took over the management of Local Enforcement System and the Local Council is receiving a 10 % administration fee on every fine paid at the Local Council. As from October 2015 Local Enforcement System Agency took over the administration of the Local Enforcement System.

**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.

**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 Local 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.

**Profits and losses**

Only losses 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. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and balances held with banks.

**Financial instruments**

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

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

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 Local 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' in the statement of comprehensive income, except for impairment of receivables which is presented within 'administration and other expenditure'.

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 Local 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 risks characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

#### *Financial liabilities*

The Local Council's financial liabilities include payables and borrowings. These are stated at their nominal amount which is a reasonable approximation of fair value.

All interest-related charges are included within 'finance costs' in the statement of comprehensive income.

#### *Critical accounting estimates and judgements*

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 .

#### *Capital management policies*

The Local Council's objectives when managing capital are:

- to safeguard the Local Council's ability to continue as a going concern, so that it can continue to provide services and benefits to its local community

The Local Council sets the amount of capital in proportion to risk. The Local Council manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The Local Council monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt ÷ adjusted capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Adjusted capital comprises of retained earnings.

#### *Going concern assumption*

These financial statements are prepared on a going concern basis. The Central Government has also committed itself to continue support the Local Council by the annual financial allocation.

### **3. Funds received from Central Government**

	<b>2023</b>	<b>2022</b>
	<b>€</b>	<b>€</b>
In terms of section 55 of the Local Council Act	1,096,088	1,084,236
Supplementary Government income	10,000	-
Other Government income	14,796	115,329
	<u>1,120,884</u>	<u>1,199,565</u>

<b>4. Income raised under Local Council Bye-Laws</b>	<b>2023</b>	<b>2022</b>
	€	€
Income from Bye-Laws	55,809	46,803
	<u>55,809</u>	<u>46,803</u>
<b>5. Income raised under Local Enforcement system</b>	<b>2023</b>	<b>2022</b>
	€	€
Contraventions and other fines	(9,019)	(33,961)
Income from LES administration fees	8,941	7,854
	<u>(78)</u>	<u>(26,107)</u>
<b>6. Finance income</b>	<b>2023</b>	<b>2022</b>
	€	€
Bank Interest	635	316
	<u>635</u>	<u>316</u>
<b>7. General income</b>	<b>2023</b>	<b>2022</b>
	€	€
Publications	-	31
Refund of expenses	3,870	2,943
Insurance claims	508	1,136
	<u>4,378</u>	<u>4,110</u>
<b>8. Profit for the year</b>	<b>2023</b>	<b>2022</b>
	€	€
Profit for the year is stated after charging:		
Staff salaries	193,891	192,908
Depreciation of property, plant and equipment	125,010	123,984
	<u>193,891</u>	<u>192,908</u>

*Personal emoluments*

	<b>2023</b>	<b>2022</b>
	€	€
Mayor's Allowance	20,927	20,290
Councillors' Allowance	27,399	27,400
Executive Secretary Salary and Allowances	44,145	50,335
Employees' Salaries	90,665	85,042
Social Security Contributions	10,755	9,841
	<u>193,891</u>	<u>192,908</u>

The average number of people employed during the year is 18 (2022:17).

**9. Operations and maintenance**

	<b>2023</b>	<b>2022</b>
	€	€
<i>Repairs and Upkeep:</i>		
Public property	13,942	14,539
Road/Street pavements	3,093	9,329
Restoration of cultural assets	-	3,402
Signs	14,791	23,972
Road markings	3,615	4,508
Office furniture and equipment	4,334	7,497
Plant and equipment	2,633	611
Other repairs and upkeep	8	191
Council property	1,525	654
	<u>43,941</u>	<u>64,703</u>
	<b>2023</b>	<b>2022</b>
	€	€
<i>Contractual Services:</i>		
Refuse collection	123,989	175,840
Bulky refuse collection	42,358	27,193
Open skips	5,900	-
Tipping fees	178,064	101,917
Cleaning services	1,401	142
Road & street cleaning	112,720	110,335
Cleaning & maintenance non-urban	8,850	11,171
Cleaning - public conveniences	6,292	15,803
Cleaning - council premises	1,101	1,178
Other contractual services	16,485	14,811
Cleaning & maintenance parks & gardens	11,397	20,468
Cleaning & maintenance - soft areas	19,283	29,599
Street lighting	29,543	15,991
Local enforcement expenses	662	307
	<u>558,045</u>	<u>524,755</u>
	<u>601,986</u>	<u>589,458</u>

**10. Administration and other expenditure**

	<b>2023</b>	<b>2022</b>
	<b>€</b>	<b>€</b>
Utilities	14,880	9,155
Operating materials & supplies	2,350	1,878
Rent	2,938	2,288
Participation fee - National Meeting	-	592
Office Services	1,702	3,997
Transport	9,307	3,195
Travel	4,501	2,807
Information services	6,674	8,130
Insurance Coverage	6,376	5,985
Bank Charges	1,249	6,012
Penalties - Department of Local Councils	-	1,534
Professional Services	27,845	24,060
Conference expenses	895	785
Visits - foreign delegations	2,092	1,729
Other hospitality costs	191	-
Annual general meeting	735	779
Social events	19	2,922
Cultural events	42,433	42,476
Community services	1,466	6,015
Provision for LES receivables	(11,457)	(35,233)
Depreciation	125,010	123,984
	<u>239,206</u>	<u>213,090</u>

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

## 11. Property, plant and equipment

	Trees	Construction Works	Furniture & Fittings	New Street Signs	Urban Improvements	Office & Computer Equipment	Plant & Machinery	Motor Vehicles	Assets not yet Capitalised	Total
	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>										
At 1 January 2022	29,617	3,148,244	121,079	31,395	469,004	69,190	40,916	31,150	64,769	4,005,364
Additions	-	118,959	242	-	12,221	3,990	572	-	18,127	154,111
Transfer	-	37,283	-	-	-	-	-	-	(37,283)	-
At 31 December 2022	29,617	3,304,486	121,321	31,395	481,225	73,180	41,488	31,150	45,613	4,159,475
<b>Grants</b>										
At 1 January 2022	16,851	1,323,608	598	-	60,437	8,755	15,767	-	7,485	1,433,501
Grants for the year	-	46,018	-	-	-	-	-	-	-	46,018
At 31 December 2022	16,851	1,369,626	598	-	60,437	8,755	15,767	-	7,485	1,479,519
<b>Depreciation</b>										
At 1 January 2022	-	1,324,315	78,343	31,395	230,985	45,372	22,021	21,763	-	1,754,194
Charge for the year	-	73,998	5,115	-	35,898	5,118	1,302	2,553	-	123,984
At 31 December 2022	-	1,398,313	83,458	31,395	266,883	50,490	23,323	24,316	-	1,878,178
<b>Net book values</b>										
At 31 December 2022	12,766	536,547	37,265	-	153,905	13,935	2,398	6,834	38,128	801,778

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

1.1. Property, plant and equipment											Total
	Trees	Construction Works	Furniture & Fittings	New Street Signs	Urban Improvements	Office & Computer Equipment	Plant & Machinery	Motor Vehicles	Assets not yet Capitalised		
	€	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>											
At 1 January 2023	29,617	3,304,486	121,321	31,395	481,225	73,180	41,488	31,150	45,613	4,159,475	
Additions	4,674	18,914	535	-	76,532	6,893	-	-	20,236	127,784	
Disposal	-	-	-	-	-	-	-	(18,386)	-	(18,386)	
Transfers	-	-	-	-	10,902	10,248	-	-	(21,150)	-	
At 31 December 2023	34,291	3,323,400	121,856	31,395	568,659	90,321	41,488	12,764	44,699	4,268,873	
<b>Grants</b>											
At 1 January 2023	16,851	1,369,626	598	-	60,437	8,755	15,767	-	7,485	1,479,519	
Grants for the year	-	-	-	-	-	10,248	-	-	20,226	30,474	
	16,851	1,369,626	598	-	60,437	19,003	15,767	-	27,711	1,509,993	
<b>Depreciation</b>											
At 1 January 2023	-	1,398,313	83,458	31,395	266,883	50,490	23,323	24,316	-	1,878,178	
Disposal	-	-	-	-	-	-	-	(18,386)	-	(18,386)	
Charge for the year	-	90,727	5,029	-	20,589	5,043	1,069	2,553	-	125,010	
At 31 December 2023	-	1,489,040	88,487	31,395	287,472	55,533	24,392	8,483	-	1,984,802	
<b>Net book values</b>											
At 31 December 2023	17,440	464,734	32,771	-	220,750	15,785	1,329	4,281	16,988	774,078	

**12. Receivables**

	<b>2023</b>	<b>2022</b>
	<b>€</b>	<b>€</b>
Receivables	14,393	43,123
Accrued income	156,904	30,769
Financial assets	<u>171,297</u>	<u>73,892</u>
Prepayments	10,030	6,653
	<u>181,327</u>	<u>80,545</u>

**Receivables**

General receivables are analysed as follows:

	<b>2023</b>	<b>2022</b>
	<b>€</b>	<b>€</b>
Within credit period	490	7,952
Exceeded credit period but not impaired	13,903	35,171
	<u>14,393</u>	<u>43,123</u>

Receivables are stated after a specific provision for doubtful debts amounting to € 37,829 (2022 : € 37,829).

**Related party balances - LES Debtors**

LES debtors are stated after a specific provision for doubtful debts amounting to € 303,790 (2022 : € 315,247)

The movement in the provision for doubtful debts is as follows:

	<b>2023</b>	<b>2022</b>
	<b>€</b>	<b>€</b>
Balance at 1 January	315,247	350,480
Decrease in provision for LES debtors	(11,457)	(35,233)
Balance at 31 December	<u>303,790</u>	<u>315,247</u>

**13. Cash and cash equivalents**

	<b>2023</b>	<b>2022</b>
	<b>€</b>	<b>€</b>
Bank balances	2,156,176	2,168,209
Cash in hand	3,493	506
Cash at bank and in hand	<u>2,159,669</u>	<u>2,168,715</u>
Cash and cash equivalents	<u>2,159,669</u>	<u>2,168,715</u>

**14. Payables**

	<b>2023</b>	<b>2022</b>
	<b>€</b>	<b>€</b>
Payables	203,335	169,473
Other payables	6,942	5,575
Accruals	59,090	154,675
Financial liabilities	<u>269,367</u>	<u>329,723</u>
Grants not yet utilised	27,276	49,429
	<u>296,643</u>	<u>379,152</u>

Current financial liabilities are carried at their nominal value which is considered a reasonable approximation of fair value.

**15 Borrowings**

	<b>2023</b>	<b>2022</b>
	<b>€</b>	<b>€</b>
<b>Current</b>		
Third party borrowings	<u>24,597</u>	<u>24,597</u>
<b>Third Party Borrowings</b>		
Repayable within one year	<u>24,597</u>	<u>24,597</u>

*Third party borrowings*

Third party borrowings represent dues to the public private partnership. The Local Council entered into this agreement to carry out road resurfacing works. These amounts are unsecured and interest free.

**16. Capital commitments**

	<b>2023</b>	<b>2022</b>
	<b>€</b>	<b>€</b>
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	<u>661,100</u>	<u>568,000</u>
These could be analysed as follows:		
<i>(i) Approved but not yet contracted for:</i>		
Urban improvements	636,100	15,000
Construction	-	528,000
Motor vehicle	20,000	20,000
Office furniture & fittings	5,000	2,000
Office equipment	-	3,000
	<u>661,100</u>	<u>568,000</u>

**17. Contingent liabilities**

The Local Council has disputes and claims with its local suppliers amounting to € 58,584 (2022: € 58,584). The Local Council in the financial statements only provided for € 24,597 (2022 : € 24,597) in line with the architect's certificate. A third party is claiming a sum of € 3,276 as damage for incidents that happened at Zabbar. This amount has not been provided for.

**18. 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 of Local Government	Significant control
Regional Committee (Local Enforcement)	Joint control
Fgura Joint Committee (Local Enforcement)	Joint control
Local Enforcement System Agency	No control
Gozo Regional Committee	No control
North Regional Committee	No control
South Regional Committee	No control
South Eastern Regional Committee	No control
Central Regional Committee	No control
Public General Head Quarters	No control
Local Councils' Association	No control
Malta Information Technology Agency	No control
Malta Communication Authority	No control
Malta Tourism Authority	No control
Malta Transport Authority	No control
Lands Authority	No control
Commissioner for Revenue	No control
Permanent Secretary - Ministry of Education	No control
Permanent Secretary - Ministry for Family & Social Solidarity	No control
Bank of Valletta plc	No control
Airmalta plc	No control
Jobs plus	No control
ARMS Limited	No control
Planning Authority	No control
Environment and Resources 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
Commissioner for Data Protection	No control

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

	2023 €	2022 €
Annual Financial Allocation	1,096,088	1,084,236
<b>Key management compensation</b>		

Transactions with key management personnel are disclosed in note 8.

## 19. Financial risk management

The exposure to risk and the way risks arise, together with the Local Council's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below.

The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development.

Where applicable, any significant changes in the Local Council's exposure to financial risks or manner in which it manages and measures these risks are disclosed below.

Where possible, the Local Council aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of the risk exposure associated with financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

<i>Categories of financial instruments</i>	2023	2022
<i>Financial assets at amortised cost</i>	€	€
<i>Loans and Receivables</i>		
Cash and bank balances	2,159,669	2,168,715
Receivables	171,297	73,892
	<u>2,330,966</u>	<u>2,242,607</u>
<i>Financial liabilities at amortised cost</i>		
Payables	269,367	329,723
Borrowings - current	24,597	24,597
	<u>293,964</u>	<u>354,320</u>

The Local Council is exposed to credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Local Council is not exposed to any market risk. The Local Council's risk management is coordinated by its members and focuses on actively securing the Local Council's short to medium term cash flows by minimising the exposure to financial risks.

The most significant financial risks to which the Local Council is exposed are described below.

### **Credit risk**

The Local Council applies the simplified approach for all trade receivables which uses a lifetime expected allowance. Accordingly, the assessment to determine whether there is a significant increase in credit risk is not applicable for such financial assets.

Where the Local Council does not have reasonable and supportable information that is available without undue cost or effort to measure life time expected credit loss on an individual instrument basis and in order to ensure the life time expected credit losses are recognised before an asset becomes credit-impaired or an actual default occurs, life time expected credit losses on the remaining financial assets are measured on a collective basis. In such instances and where appropriate, the financial instruments are grouped on the basis of shared credit risk characteristics and the life time expected credit losses are estimated using a provision matrix based on actual credit loss experience over past years, which is adjusted to reflect current conditions and the Local Council's view of economic conditions over the expected lives of the receivables.

Such adjustments are based on factors that are specific to the debtors and economic and industry indicators such as Gross Domestic Product, unemployment rates and/or industry projections, where applicable, unless the effect is considered to be immaterial.

The Local Council's trade receivables are of a short-term nature as they are based on credit terms of less than one year and, thus, do not include a significant financing component.

For the purpose of the provision matrix, loss rates are calculated using a 'roll rate' method based on the probability a receivable progressing through successive stages of delinquency over a selected period, taking into consideration the applicable credit terms for such debtors and the past due status. Unless the effect is immaterial, for receivables after 360 days, the loss rate was adjusted to take into consideration the proportion of actual recoveries over the selected period.

As at 31 December 2023, trade receivables of € 51,538 (2022 : € 35,171) were past due but not impaired. The ageing of these past due trade receivables was over 1 month. These mainly related to a number of government entities for whom there is no recent history of default and exposure is very limited. Whilst a number of customers account for a certain percentage of the Local Council's past due trade debts, management has not identified any major concerns with respect to concentration of credit risk. Categorisation of trade receivables as past due is determined by the Local Council on the basis of the nature of the credit terms in place and credit arrangements actually utilised in managing exposures with customers. Exposure is immaterial.

#### ***Cash and cash equivalents***

The Local Council banks only with local financial institutions with high quality standing or rating. At 31 December 2023, cash and cash equivalents are held with reputable counterparties and are callable on demand.

#### ***Liquidity risk***

The Local Council is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise payables and borrowings. Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the Local Council's obligations.

Management monitors liquidity risk by reviewing expected cash flows and ensures that no additional financing facilities are expected to be required over the coming year. The Local Council manages its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. At the end of the reporting period, the Local Council's net current asset position amounted to € 2,019,756 (2022: € 1,845,511) view of the matching of cash inflows and outflows arising from expected maturities of financial instruments. In this respect management does not consider liquidity risk to the Local Council as significant taking into account the liquidity management process referred to above.

The following table analyses the Local Council's financial liabilities into relevant maturity groupings based on the remaining period at 31 December 2023 to the contractual maturity date. The amounts disclosed below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

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

	<b>Current</b>	<b>Non- Current</b>			<i>Total</i>
	<i>Payable within 1 year</i>	<i>Payable within 1 &amp; 2 years</i>	<i>Payable within 2 &amp; 5 years</i>	<i>Payable after more than 5 years</i>	
<b>31 December 2023</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
Payables	203,335	-	-	-	203,335
Other payables	6,942	-	-	-	6,942
Accruals	59,090	-	-	-	59,090
Third party borrowings	24,597	-	-	-	24,597
	<u>293,964</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>293,964</u>

	<b>Current</b>	<b>Non - Current</b>			<i>Total</i>
	<i>Payable within 1 year</i>	<i>Payable within 1 &amp; 2 years</i>	<i>Payable within 2 &amp; 5 years</i>	<i>Payable after more than 5 years</i>	
<b>31 December 2022</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
Payables	169,473	-	-	-	169,473
Other payables	5,575	-	-	-	5,575
Accruals	154,675	-	-	-	154,675
Third party borrowings	24,597	-	-	-	24,597
	<u>354,320</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>354,320</u>

With respect to the maturity of the Local Council's financial liabilities as at 31 December 2023, it discloses that the trade and other payables are entirely repayable within one year from the end of the respective reporting period.

**20. Fair value estimation**

The nominal value less estimated credit adjustments of receivables and payables are assumed to approximate their fair value, otherwise, these have been adjusted to approximate their fair value.

**21. Events after the end of the reporting period**

No adjusting or significant non-adjusting events have occurred between the end of the reporting period and the date of authorisation by the Local Council.