



L-Isla  
*(Città Invicta)*

L-Isla Local Council

Annual Report and Financial Statements  
31 December 2023

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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 comprehensive income for the period and of the Council's retained funds at the end of the period. 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 was approved by the Local Council on the 29 February 2024 and signed on its behalf by:



Clive Pulis  
Mayor



Graziella Gellel  
Executive Secretary

**Statement of Profit or Loss and Other Comprehensive Income**

	Notes	2023 €	2022 €
<b>Income</b>			
Funds received from Central Government	3	381,868	415,936
Income raised under Local Enforcement System	5	1,479	1,121
General income	6	53,152	61,374
Income from Bye-Law	7	9,950	8,104
		<b>446,449</b>	<b>486,535</b>
<b>Expenditure</b>			
Personal emoluments	8	88,212	93,575
Operations and maintenance	9	127,677	174,010
Administrative and other expenditure	10	182,743	169,401
		<b>398,632</b>	<b>436,986</b>
<b>Operating profit for the year</b>		<b>47,817</b>	<b>49,549</b>
Investment income	4	-	2
<b>Profit for the year</b>		<b>47,817</b>	<b>49,551</b>
<b>Total comprehensive income for the year</b>		<b>47,817</b>	<b>49,551</b>

The notes on pages 6 to 25 form an integral part of these financial statements.


**Statement of Financial Position**

	Notes	2023 €	2022 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible asset	11	295	599
Tangible assets			
Property, plant and equipment	12	67,643	72,646
		<u>67,938</u>	<u>73,245</u>
<b>Current assets</b>			
Receivables	13	45,794	30,498
Cash and cash equivalents	14	580,391	528,930
		<u>626,185</u>	<u>559,428</u>
<b>Total Assets</b>		<u>694,123</u>	<u>632,673</u>
<b>Reserves</b>			
Retained Fund		<u>458,337</u>	<u>410,520</u>
<b>Current Liabilities</b>			
Payables	15	235,786	222,153
<b>Total Liabilities</b>		<u>235,786</u>	<u>222,153</u>
<b>Total Reserves and Liabilities</b>		<u>694,123</u>	<u>632,673</u>

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



Clive Pulis  
Mayor



Graziella Gellel  
Executive Secretary

The notes on pages 6 to 25 form an integral part of these financial statements.

**Statement of Changes in Equity**

	Retained earnings €	Total €
Balance at 1 January 2022	360,969	360,969
Total comprehensive income for the year	49,551	49,551
<b>Balance at 31 December 2022</b>	<b>410,520</b>	<b>410,520</b>
Balance at 1 January 2023	410,520	410,520
Total comprehensive income for the year	47,817	47,817
<b>Balance at 31 December 2023</b>	<b>458,337</b>	<b>458,337</b>

The notes on pages 6 to 25 form an integral part of these financial statements

**Statement of Cash Flows**

	Notes	2023 €	2022 €
<b>Cash flows from operating activities</b>			
<b>Profit for the year</b>		<b>47,817</b>	<b>49,551</b>
Adjustments for:			
Depreciation	12a	27,506	22,546
Amortisation charge	11	304	448
Provision for bad debts		-	(233)
Investment income receivable		-	(2)
		<b>75,627</b>	<b>72,310</b>
<b>Surplus for the period before working capital movements</b>		<b>75,627</b>	<b>72,310</b>
(Increase)/Decrease in receivables		(15,296)	11,672
Increase in payables		13,633	98,231
		<b>73,964</b>	<b>182,213</b>
<b>Net cash generated from operating activities</b>			
<b>Cash flows used in investing activities</b>			
Investment income receivable		-	2
Grants received		49,299	3,540
Payment to acquire property, plant and equipment	12a	(71,802)	(12,438)
		<b>(22,503)</b>	<b>(8,896)</b>
<b>Net cash used in investing activities</b>			
		<b>51,461</b>	<b>173,317</b>
<b>Movement in cash and cash equivalents</b>			
		<b>528,930</b>	<b>355,613</b>
<b>Cash and cash equivalents at the beginning of the year</b>			
		<b>580,391</b>	<b>528,930</b>
<b>Bank Balance Overdrawn</b>		<b>(466)</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the year</b>	14	<b>579,926</b>	<b>528,930</b>

**Notes to the Financial Statements**  
**For the year ended 31 December 2023****1. Statutory information**

L-Isla Local Council is the local authority of Isla setup in accordance with the Local Councils Act. The Office of the Local Council is situated at 2, St. Joseph Street, L-Isla, Malta.

**2. Material accounting policies****Overall considerations**

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

The Local Council's management has concluded that the disclosure of the Local Council's material accounting policies below are appropriate.

**a. Basis of preparation**

The 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 (EU) 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.

**b. Use of estimates and judgements**

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

However, in the opinion of the Council members, there are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

**2. Accounting policies - continued****c. 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.

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

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)

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

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

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

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

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

The Local Council's 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.

**d. Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the L-Isla Local Council and the revenue can be reliably measured, regardless of when the payment is received. 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 statement of profit or loss as it accrued under finance income.

**2. Accounting policies – continued****e. 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 Local council operates. The Local Council's financial statements are presented in Euro, which is the Local Council's functional currency.

**f. Local Enforcement System**

The amount disclosed in the financial statements under Local Enforcement Income represents the administrative charges to L.E.S.A. Up till August 2011, the council used to manage the Local Enforcement System in its locality and used to receive all the income generated from fines. As from 1 September 2011, the council started to form part of the Southern Region, which took management of Local Enforcement System and the council is receiving 10% administration fee on every fine paid at the Council. As from October 2015. Local Enforcement System Agency (LESA) took over the administration of the Local Enforcement System.

**g. Intangible asset**

Intangible asset comprises computer software. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. The costs of assets are amortised over their estimated useful life of 25% using the straight-line method. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

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 i).

**h. Impairment of assets**

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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

**i. 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 deposits held at call with banks.

**2. Accounting policies – continued****j. Property, plant and equipment**

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

• Trees	0%
• Buildings	1%
• Office furniture and fittings	7.5%-23.59%
• Construction works	10%-40%
• Urban Improvements (Street Furniture)	10%-28.57%
• Special Projects	10%-22.22%
• Office Equipment	20%-46.17%
• Motor Vehicles	20%
• Plant and Machinery	20%
• Plants	100%
• Computer Equipment	25%-25.53%
• Litter Bins	Replacement Basis
• Traffic and Road Signs	Replacement Basis
• Street Mirrors	Replacement Basis
• Street Lights	100%
• Playground Furniture	100%

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.

**k. Financial instruments****Recognition and derecognition**

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

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

**2. Accounting policies - continued****k. Financial instruments – continued****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); and
- fair value through other comprehensive income (FVOCI).

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

The classification is determined by both:

- the 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 the Statement of profit or loss are presented within 'finance costs', 'finance income' or 'other financial items'.

**Subsequent measurement of financial assets****Financial assets at amortised cost**

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

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

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Local Council's cash and cash equivalents, and most receivables fall into this category of financial instruments.

**2. Accounting policies - continued****k. Financial instruments – continued****Impairment of financial assets**

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the 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.

The Local Council considers a broad 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 Local Council's financial liabilities include payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Local 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 the Statement of profit or loss are included within 'finance costs' or 'finance income'.

**2. Accounting policies - continued****l. Profits and losses**

Only profits 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.

**m. Provisions**

Provisions are recognised when the Local Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

**n. 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 (net of transaction costs) and the redemption value is recognised in the Statement of Profit or Loss 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 from the end of the reporting period.

**o. Government grants**

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

**p. Capital Management**

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

- that the Council's ability to continue as a going concern is still valid and
- that the Council maintains a positive working capital ratio.

To achieve the above, the Council carries out a quarterly review of the working capital ratio ('Financial Situation Indicator'). The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

**3. Funds Received from Central Government**

	2023 €	2022 €
In terms of Section 55 of the Local Councils Act (Cap 363)	341,640	336,252
Other Government Income	40,228	79,684
	<u>381,868</u>	<u>415,936</u>

**4. Investment income**

	2023 €	2022 €
Bank interest receivable	-	2

**5. Local Enforcement System**

	2023 €	2022 €
Administrative charges to L.E.S.A	1,479	1,121
	<u>1,479</u>	<u>1,121</u>

**6. General income**

	2023 €	2022 €
Income from permits	22,237	19,009
EU Programme	2,168	26,001
Other income	5,574	3,446
Contributions and donations	23,173	12,918
	<u>53,152</u>	<u>61,374</u>

**7. Income from Bye-Law**

	2023 €	2022 €
Income from bye-laws	9,950	8,104

**8. Personal emoluments**

	2023 €	2022 €
Mayor's allowance	11,079	10,742
Executive Secretary and allowances	38,783	45,872
Employees' salaries	20,757	19,565
Social Security Contributions	4,593	4,396
Councillors' remuneration	13,000	13,000
	<u>88,212</u>	<u>93,575</u>

**Average number of people employed**

Employees	<u>2</u>	<u>2</u>
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**9. Operations and maintenance**

	2023 €	2022 €
<b>Repairs and upkeep:</b>		
Road and street maintenance	10,307	16,094
Repair office furniture and equipment	232	45
Sundry repairs	12,524	15,317
	<u>23,063</u>	<u>31,456</u>

	2023 €	2022 €
<b>Contractual services:</b>		
Refuse collection (including bins on wheels)	12,596	55,957
Waste disposal	19,389	16,365
Bulky refuse collection (including open skips)	14,368	14,239
Road and street cleaning (mechanical and manual)	31,888	34,215
Other contractual services	3,854	6,132
Cleaning and maintenance of council premises	2,980	3,060
Cleaning and maintenance of public conveniences	13,600	6,121
Cleaning and maintenance of parks and gardens	-	2,395
Street Lighting maintenance	5,761	3,939
LES related expenditure	178	131
	<u>104,614</u>	<u>142,554</u>
	<u>127,677</u>	<u>174,010</u>

**10. Administrative and other expenditure**

	2023	2022
	€	€
Water and electricity	5,713	7,131
Telecommunications	4,868	5,741
EU Programme	-	32,205
Rent	6,120	6,041
Printing and Stationery	6,976	2,326
Postages	65	70
Library	2,350	2,240
National & international membership	250	855
Meetings and conventions	10,143	12,082
Office services	119	301
Transport	2,636	3,535
Insurance	2,860	3,847
Professional services	28,140	34,060
Community and hospitality	79,485	32,834
Bank charges	915	717
Depreciation and amortisation	27,810	22,994
Provision for bad LES debts	-	(233)
Advertising and public relations	4,293	2,619
Training	-	36
	<b>182,743</b>	<b>169,401</b>

**11. Intangible asset**

	Computer software €
<b>At 1 January 2022</b>	
Cost	9,416
Grants	(5,177)
Accumulated amortisation	(3,192)
Net book amount	1,047
<b>Movements for the year ended 31 December 2022</b>	
Opening net book amount	1,047
Amortisation charge	(448)
Closing net book amount	599
<b>At 31 December 2022</b>	
Cost	9,416
Grants	(5,177)
Accumulated amortisation	(3,640)
Net book amount	599
<b>Movements for the year ended 31 December 2023</b>	
Opening net book amount	599
Amortisation charge	(304)
Closing net book amount	295
<b>At 31 December 2023</b>	
Cost	9,416
Grants	(5,177)
Accumulated amortisation	(3,944)
Net book amount	295

Amortisation of €304 (2022: €448) is included in administrative expenses.

**12a. Property, plant and equipment**

	Office Furniture & Fixtures €	New										Total €	
		Office Equipment €	Computer Equipment €	Street Signs €	Urban Improv. €	Construction €	Special Programmes €	Trees €	Plant & Machinery €	Motor Vehicles €	Assets under Construction €		
<b>Cost</b>													
At 1 January 2023	62,626	28,072	11,913	8,924	312,926	270,643	517,472	30,073	1,675	41,000	-	-	1,285,324
Additions	7,226	5,516	13,361	-	2,868	42,447	-	-	384	-	-	-	71,802
At 31 December 2023	69,852	33,588	25,274	8,924	315,794	313,090	517,472	30,073	2,059	41,000	-	-	1,357,126
<b>Grants</b>													
At 1 January 2023	-	10,075	-	-	86,984	86,252	332,048	25,960	-	36,000	-	-	577,319
Additions	4,946	4,233	9,132	-	-	30,988	-	-	-	-	-	-	49,299
At 31 December 2023	4,946	14,308	9,132	-	86,984	117,240	332,048	25,960	-	36,000	-	-	626,618
<b>Depreciation</b>													
At 1 January 2023	51,603	17,034	9,553	8,924	175,829	184,391	185,366	-	1,462	1,197	-	-	635,359
Charge for the period	1,348	322	2,787	-	10,347	11,459	58	-	185	1,000	-	-	27,506
At 31 December 2023	52,951	17,356	12,340	8,924	186,176	195,850	185,424	-	1,647	2,197	-	-	662,865
<b>Net Book Value</b>													
At 31 December 2023	11,955	1,924	3,802	-	42,634	-	-	4,113	412	2,803	-	-	67,643

**12b. Property, plant and equipment**

	Office Furniture, Fixtures & Fittings €	Office Equipment €	Computer Equipment €	New Street Signs €	Urban Improv. €	Construction €	Special Programmes €	Trees €	Plant & Machinery €	Motor Vehicles €	Assets under Construction €	Total €
<b>Cost</b>												
At 1 January 2022	61,906	27,132	11,913	8,924	302,148	270,643	517,472	30,073	1,675	41,000	7,034	1,279,920
Additions	720	940	-	-	10,778	-	-	-	-	-	-	12,438
Disposals/Transfers	-	-	-	-	-	-	-	-	-	-	(7,034)	(7,034)
At 31 December 2022	62,626	28,072	11,913	8,924	312,926	270,643	517,472	30,073	1,675	41,000	-	1,285,324
<b>Grants</b>												
At 1 January 2022	-	10,075	-	-	83,444	86,252	332,048	25,960	-	36,000	7,034	580,813
Additions	-	-	-	-	3,540	-	-	-	-	-	-	3,540
Reversed	-	-	-	-	-	-	-	-	-	-	(7,034)	(7,034)
At 31 December 2022	-	10,075	-	-	86,984	86,252	332,048	25,960	-	36,000	-	577,319
<b>Depreciation</b>												
At 1 January 2022	50,262	14,996	8,281	8,924	166,928	183,262	178,616	-	1,347	197	-	612,813
Charge for the period	1,341	2,038	1,272	-	8,901	1,129	6,750	-	115	1,000	-	22,546
Released on disposal	-	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2022	51,603	17,034	9,553	8,924	175,829	184,391	185,366	-	1,462	1,197	-	635,359
<b>Net Book Value</b>												
At 31 December 2022	11,023	963	2,360	-	50,113	-	58	4,113	213	3,803	-	72,646

**13. Receivables**

	2023 €	2022 €
Receivables	7,989	19,917
Other receivables	4,340	-
Accrued income	26,482	2,938
<b>Financial assets</b>	<b>38,811</b>	<b>22,855</b>
Prepayments	6,983	7,643
	<b>45,794</b>	<b>30,498</b>

The total financial assets for the year amounted to €38,811 (2022: €22,855).

The average credit period on sales of services is 60 days. Receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Council 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.

	2023 €	2022 €
<b>Age of receivables that are past due but not impaired</b>		
60-90 days	430	3,607
91-120 days	87	1,810
More than 120 days	7,472	14,500
Total	<b>7,989</b>	<b>19,917</b>

	2023 €	2022 €
<b>Movement in the allowance for doubtful debts</b>		
Balance at beginning of the year	114,766	135,049
Reduction in provision for LES debtors	-	(233)
Bad debts written off	(2,890)	(20,050)
Balance at end of the year	<b>111,876</b>	<b>114,766</b>

**13. Receivables - continued**

In determining the recoverability of a receivable, the Local Council considers any change in the credit quality of the 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. The impairment loss on receivables is included in administrative expenses in the Statement of Profit or Loss.

Receivables are stated after a specific provision for doubtful debts of €Nil (2022: €2,890).  
LES Debtors are stated after a specific provision for doubtful debts of €111,876 (2022: €111,876).

**14. Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents included in the Statement OF Cash Flows comprise the following amounts in the Local Council's Statement of Financial Position:

	2023 €	2022 €
Bank balances:		
Ordinary funds	579,722	528,849
Cash in hand	669	81
Cash at bank	580,281	528,930
Bank balance overdrawn	(466)	-
	<u>579,926</u>	<u>528,930</u>

**15. Payables**

	2023 €	2022 €
Payables	53,416	48,258
Advance payment	97,775	97,774
Other payables	1,674	753
Accruals	19,133	12,593
Bank balance overdrawn	466	-
Financial liabilities	172,464	159,378
Deferred income	63,322	62,775
	<u>235,786</u>	<u>222,153</u>

The total financial liabilities for the year amounted to €172,464 (2022: €159,378)

**16. Contingent liabilities**

There were no contingent liabilities as at 31 December 2023.

**17. Related party transactions**

During the year, the Local Council had affected transactions with related parties resulting mainly in connection with income and administrative transactions, that are disclosed in notes 8,9 and 10 to these financial statements. The following were the related parties:

<b>Name of Entity</b>	<b>Nature of relationship</b>
Department of Local Councils	Significant Control
Gozo Regional Council	No Control
Central Regional Council	No Control
North Regional Council	No Control
South Regional Council	No Control
South Eastern Regional Council	Joint Control
Local Enforcement Systems Agency	No Control
ARMS Ltd	No Control
Commissioner of Data Protection	No Control
Department of Information	No Control
Ministry of Finance	No Control
Police General Head Quarters	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
Wasteserv Malta Limited	No Control
Bank of Valletta plc	No Control
Department of Lands	No Control
Local Councils' Association	No Control
Central Bank of Malta	No Control
Department of Inland Revenue	No Control
Ministry for Justice, Culture and Local Government	No Control

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

	<b>2023</b>	2022
	€	€
<b>(a) Funds received from Local Government</b>	<b>341,640</b>	336,252

**17. Related party transactions – continued****Key management compensation**

Transactions with key management personnel are disclosed in note 8.

**Ultimate controlling party**

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

**18. Financial risk management**

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

**Credit risk**

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

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:

	2023	2022
	€	€
Classes of financial assets – carrying amounts		
Receivables	38,811	22,855
Cash and cash equivalents	580,391	528,930
	<u>619,202</u>	<u>551,785</u>

**18. Financial risk management – continued*****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 €581,227 (2022: €528,930). This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net asset position of €390,399 (2022: €337,275) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

At 31 December 2023 the council's financial liabilities have contractual maturities which are summarised below:

**At 31 December 2023**

	Current within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	53,416	-	-
Advance payment	97,775	-	-
Other creditors	1,674	-	-
Accruals	19,133	-	-
Bank balance overdrawn	466	-	-

**18. Financial risk management – continued**

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

**At 31 December 2022**

	Current within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	48,258	-	-
Advance payment	97,774	-	-
Other creditors	753	-	-
Accruals	12,593	-	-

**Foreign currency risk**

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

**Interest rate risk**

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

**19. 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:

	2023 €	2022 €
<b>Current assets</b>		
Loans and receivables:		
Receivables	38,811	22,855
Cash and cash equivalents	580,391	528,930
	<u>619,202</u>	<u>551,785</u>
<b>Current liabilities</b>		
Financial liabilities measured at amortised costs:		
Payables	53,416	48,258
Advance payment	97,775	97,774
Other payables	1,674	753
Accruals	19,133	12,593
Bank balance overdrawn	466	-
	<u>172,464</u>	<u>159,378</u>

**20. 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.

**21. Capital commitments****Capital expenditure**

Commitments for capital expenditure not provided for in these financial statements are as follows:

	2023 €	2022 €
Authorised but not contracted	<u>206,691</u>	<u>206,691</u>