

Local Council Zurrieq
Annual Audit Report
for the year ended 31 December 2024

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**Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2024**

The Local Government (Financial) Regulations, 1993 require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of comprehensive income for the year, and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Government (Financial) Regulations, 1993 and the Local Government (Financial) Procedures, 1996 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 Government (Financial) Regulations 1993, and the Local Government (Financial) Procedures 1996. The Executive Secretary is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on 5 February 2025 and signed on its behalf by:

Rita Grima
Mayor

Josianne Cilia Mumford
Executive Secretary

**Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2024**

	Notes	2024 €	2023 €
Revenue			
Funds received from Central Government	3	1,072,605	936,360
Income raised under Local Enforcement System	4	5,917	7,817
General Income	6	95,591	100,460
		<u>1,174,113</u>	<u>1,044,637</u>
Expenditure			
Personal Emoluments	7	(177,828)	(175,200)
Operations and maintenance	8	(841,680)	(532,368)
Administration and other expenditure	9	(362,074)	(370,215)
		<u>(1,381,582)</u>	<u>(1,077,783)</u>
Operating (deficit) for the year		(207,469)	(33,146)
Finance income	5	38	122
		<u>(207,431)</u>	<u>(33,024)</u>
Total comprehensive (loss) for the year	7	<u>(207,431)</u>	<u>(33,024)</u>

The notes on pages 6 to 26 form an integral part of these financial statements.

**Statement of Financial Position
as at 31 December 2024**

	Notes	2024 €	2023 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	10	591,618	580,601
		<u>591,618</u>	<u>580,601</u>
Current Assets			
Receivables	11	111,677	116,681
Cash and cash equivalents	12	1,701,325	1,888,995
Total Current Assets		<u>1,813,002</u>	<u>2,005,676</u>
Total Assets		<u><u>2,404,620</u></u>	<u><u>2,586,277</u></u>
RESERVES AND LIABILITIES			
Reserves			
Retained fund		1,726,334	1,933,765
Total reserves		<u>1,726,334</u>	<u>1,933,765</u>
Current Liabilities			
Trade and other payables	13	678,286	652,512
Total Liabilities		<u>678,286</u>	<u>652,512</u>
Total reserves and liabilities		<u><u>2,404,620</u></u>	<u><u>2,586,277</u></u>

These financial statements were approved by the Local Council on 5th February 2025 and signed on its behalf by:

Rita Grima
Mayor

Josianne Cilia Mumford
Executive Secretary

The notes on pages 6 to 26 form an integral part of these financial statements.

**Statement of Changes in Equity
for the year ended 31 December 2024**

	Retained Fund €	Total €
At 1 January 2023	1,966,789	1,966,789
Total comprehensive (loss) for the year	(33,024)	(33,024)
At 31 December 2023	<u>1,933,765</u>	<u>1,933,765</u>
At 1 January 2024	1,933,765	1,933,765
Total comprehensive (loss) for the year	(207,431)	(207,431)
At 31 December 2024	<u>1,726,334</u>	<u>1,726,334</u>

Statement of Cash Flows
for the year ended 31 December 2024

	2024		2022	
	€	€	€	€
Total Comprehensive (loss) for the year	(207,431)		(33,024)	
Reconciliation to cash generated from operations:				
Depreciation of property, plant and equipment	104,740		138,467	
Loss on disposal of property, plant and equipment	-		2,607	
Movement in Provision for Doubtful Debts	(2,317)		4,062	
Interest receivable	(38)		(122)	
Operating (deficit)/surplus before working capital changes :	(105,046)		111,990	
(Increase)/decrease in receivables	(36,383)		6,090	
Decrease/(increase) in other receivables	43,704		(65,140)	
(Decrease)/increase in payables	(18,724)		35,949	
Increase in other payables	44,498		360,548	
Cash (used in)/generated from operating activities		(71,951)		449,437
Cash flow from Investing activities				
Interest received	38		122	
Purchase of property, plant and equipment	(337,260)		(200,420)	
Net cash (used in) investing activities		(337,222)		(200,298)
Cash flow from financing activities		-		-
Grants received	221,503		25,943	
Net cash from financing activities		221,503		25,943
Net (decrease)/Increase in cash and cash equivalents in the year		(187,670)		275,082
Cash and cash equivalents at beginning of year		1,888,995		1,613,913
Cash and cash equivalents at end of year		1,701,325		1,888,995
		<u> </u>		<u> </u>

Note 12

The notes on pages 6 to 27 form and integral part of these financial statements

1. General Information

The Zurrieq Local Council is the local authority of Malta set up in accordance with the Local Government Act (1993). The office of the Local Council is situated at Centru tal-Komunita' Joe Cassar, Triq Pietru Pawl Saydon, Zurrieq ZRQ 1030.

These financial statements were approved for issue by the Council Members on 5 February 2025. The Local Council's company's presentation as well as functional currency is Euro (€).

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.

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 Government (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 or revised Standards or Interpretations***New standards adopted as at 1 January 2024***

Some accounting pronouncements which have become effective from 1 January 2024 and have therefore been adopted do not have a significant impact on the council's financial results or position.

Standards and amendments that are effective for the first time in 2024 and could be applicable to the council are:

- 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 Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- o Non-current Liabilities with Covenants (Amendments to IAS 1)

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

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
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

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 company 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 property, plant and equipment

The carrying amounts of the Local Council's property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Receivables

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amounts of the asset in 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.

Payables

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

Amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the council.

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 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 Local 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.

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 trade and most receivables fall into this category of financial instruments.

Impairment of financial assets

FRS 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 requirements include 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 trade and other 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 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. Interest income is recognised in the profit or loss as it accrues.

Local Enforcement System

Up till August 2011, the Council used to manage the the Local Enforcement System in its locality and used to receive all the income generated from the fines. As from 1 September 2011, the Southern Region has taken over the Local Enforcement System function and the Council receives 10% administrative reimbursements on fines collected. Subsequently, as from 1st October 2015, the Local Enforcement System Authority is now responsible for the overall management and control of the Local Enforcement System.

Leases

For any new contracts entered into on or after 1 January 2019, the Local Council considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Local Council assesses whether the contract meets three key evaluations which are :-

- whether the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Local Council.
- The Local Council has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- The Local Council has the right to direct the use of the identified asset throughout the period of use. The Local Council assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Local Council recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Local Council, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Local Council depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Local Council also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Local Council measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

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.

Up to the year ended 31st December 2017, government grants were accounted for using the income approach according to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. On 1st January 2018, the capital approach, according to IAS 20, has been adopted, in line with the Directive No 1/2017 issued by the Department for Local Government. This is a change in accounting policy, and according to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, it has been accounted for retrospectively.

Depreciation will be accounted on the resulting cost less grants.

Surplus and deficit

Only surplus and deficit 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 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.

Expenses

Expenses are recognised in the statement of profit or loss upon utilisation of the service or at the date of their origin.

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 and procedures

The council's capital consists of its net assets, including working capital, presented by its retained funds. The Council's management objective 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 this, the Council carries out a quarterly review of the working capital ratio (Financial Situation Indicator). This ratio was positive at the reporting date. 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

	2024	2023
	€	€
In terms of section 55 of the Local Council Act	1,020,872	929,136
Other Government Income	51,733	7,224
	<u>1,072,605</u>	<u>936,360</u>

4. Local Enforcement Income

	2024	2023
	€	€
Contraventions and other fines	47	1,198
Income from LES administration fees	5,870	6,619
	<u>5,917</u>	<u>7,817</u>

5. Investment Income

	2024	2023
	€	€
Bank Interest	38	122
	<u>38</u>	<u>122</u>

6. General Income

	2024	2023
	€	€
Community Services	44,209	46,581
General Income	65	1,456
Insurance Claims	-	436
Income from Permits	51,317	51,987
	<u>95,591</u>	<u>100,460</u>

7. (Loss) for the year

	2024	2023
	€	€
Profit for the year is stated after charging:		
Staff salaries	177,828	175,200
Depreciation of property, plant and equipment	104,740	140,267
Write off of property plant and equipment	-	1
Loss on disposal of property plant and equipment		2,606
	<u></u>	<u></u>

Personal Emoluments

	2024	2023
	€	€
Mayor's Allowance	16,366	16,003
Councillors' Allowance	22,600	22,598
Executive Secretary Salary and Allowances	46,043	44,454
Employees' Salaries	82,319	82,006
Social Security Contributions	10,500	10,139
	<u>177,828</u>	<u>175,200</u>

8. Operations and Maintenance

	2024	2023
	€	€
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	156,024	82,230
Road Markings	110,051	71,551
Road & Street Patching	64,159	14,086
Office Furniture and Equipment	-	132
Plant & Equipment	919	1,007
Other repairs and Upkeep	13,662	19,414
Council Property	32,746	-
	<u>377,561</u>	<u>188,420</u>
 <i>Contractual Services:</i>		
Refuse Collection and Waste Disposal	223,031	162,833
Bulky Refuse Collection	61,668	61,342
Hiring of Skips - Bins on Wheels	614	2,766
Road & Street Cleaning	82,001	35,964
Cleaning & Maintenance Non-Urban Roads	618	-
Cleaning - Public Conveniences	13,019	10,542
Cleaning - Council Premises	2,018	1,486
Other Contractual Services	39,985	25,419
Clean & Maint. Country - Non Urban	3,103	2,697
Street Lighting	28,075	21,628
Studies & Consultations	4,440	13,101
Local Enforcement Expenses	5,547	6,170
	<u>464,119</u>	<u>343,948</u>
	<u>841,680</u>	<u>532,368</u>

9. Administration and other expenditure

	2024	2023
	€	€
Utilities	37,325	11,660
Uniforms	1,998	-
Sundry materials & supplies	9,189	5,380
Rent	5,527	5,797
Participation fees and memberships	85	15
Membership - Local Organisations	265	-
Printing	368	-
Stationery	4,313	5,526
Subscriptions	900	-
Postages	-	746
Other Office Services	6,143	5,729
Transport	2,456	3,233
Travel	1,087	36,304
Information Services	16,572	16,964
Insurance Coverage	6,005	7,047
Bank Charges	1,488	1,914
IT Development Services	3,852	4,515
Legal services	3,195	1,069
Accountancy services	4,838	5,853
Architect fees	1,682	14,825
Professional services	205	-
Other support services	5,454	4,595
Visits - Foreign Delegations	15	1,977
Other Hospitality Costs	6,736	3,646
Community Services	139,608	88,229
Sundry Minor Expenses	345	55
Provision for receivables	(2,317)	4,062
Loss on disposal of property, plant and equipment	-	2,607
Depreciation of property, plant and equipment	104,740	138,467
	<u>362,074</u>	<u>370,215</u>

**Notes to the Financial Statements
for the year ended 31 December 2024**

10. Property, plant and equipment

	Trees	Property	Construction Works	New Street Signs	Urban Improvements	Plant and Machinery	Office Equipment	Office Furniture & fittings	Special Programmes	Assets under construction	Total
	€	€	€	€	€	€	€	€	€	€	€
Cost											
At 1 January 2023	16,070	115,304	453,311	11,615	560,469	5,955	146,832	62,394	3,023,033	65,893	4,460,876
Additions	1,681	-	-	-	80,297	852	2,280	1,474	92,157	22,472	201,213
Disposal	(2,545)	-	(78,918)	(294)	(104,223)	(526)	(7,382)	(8,867)	(118,831)	-	(321,586)
Write off	-	-	-	-	-	-	-	-	-	(793)	(793)
At 31 December 2023	15,206	115,304	374,393	11,321	536,543	6,281	141,730	55,001	2,996,359	87,572	4,339,710
Grants											
At 1 January 2023	4,081	-	-	-	37,629	-	30,378	826	1,266,218	-	1,339,132
Grants received	-	-	-	-	25,705	-	-	238	-	-	25,943
At 31 December 2023	4,081	-	-	-	63,334	-	30,378	1,064	1,266,218	-	1,365,075
Depreciation											
At 1 January 2023	-	22,472	440,572	11,615	492,808	5,422	105,757	51,328	1,444,572	-	2,574,546
Released on disposal	-	-	(78,918)	(294)	(104,162)	(526)	(7,382)	(8,866)	(118,831)	-	(318,979)
Charge for the year	-	1,175	7,102	-	18,266	362	3,538	1,428	106,596	-	138,467
At 31 December 2023	-	23,647	368,756	11,321	406,912	5,258	101,913	43,890	1,432,337	-	2,394,034
Net book values											
At 31 December 2023	11,125	91,657	5,637	-	66,297	1,023	9,439	10,047	297,804	87,572	580,601

**Notes to the Financial Statements
for the year ended 31 December 2024**

Property, plant and equipment

	Trees	Property	Construction Works	New Street Signs	Urban Improvements	Plant and machinery	Office & Computer Equipment	Office Furniture & fittings	Special Programmes	Assets under construction	Total
	€	€	€	€	€	€	€	€	€	€	€
Cost											
At 1 January 2024	15,206	115,304	374,393	11,321	536,543	6,281	141,730	55,001	2,996,359	87,572	4,339,710
Additions	225	-	-	-	88,051	660	1,087	5,270	187,795	54,172	337,260
At 31 December 2024	15,431	115,304	374,393	11,321	624,594	6,941	142,817	60,271	3,184,154	141,744	4,676,970
Grants											
At 1 January 2024	4,081	-	-	-	63,334	-	30,378	1,064	1,266,218	-	1,365,075
Grants received	-	-	-	-	52,072	-	-	-	169,431	-	221,503
At 31 December 2024	4,081	-	-	-	115,406	-	30,378	1,064	1,435,649	-	1,586,578
Depreciation											
At 1 January 2024	-	23,647	368,756	11,321	406,912	5,258	101,913	43,890	1,432,337	-	2,394,034
Charge for the year	-	1,175	1,878	-	28,254	418	3,149	1,760	68,106	-	104,740
At 31 December 2024	-	24,822	370,634	11,321	435,166	5,676	105,062	45,650	1,500,443	-	2,498,774
Net book values											
At 31 December 2024	11,350	90,482	3,759	-	74,022	1,265	7,377	13,557	248,062	141,744	591,618

11. Receivables

	2024	2023
	€	€
Receivables	58,799	22,416
Other receivables	6,670	558
Accrued income	29,361	77,980
Financial assets at amortised cost	<u>94,830</u>	<u>100,954</u>
Prepayments	16,847	15,727
	<u>111,677</u>	<u>116,681</u>

Receivables

General receivables are analysed as follows:

	2024	2023
	€	€
Within credit period	33,223	569
Exceeded credit period but not impaired	25,576	21,847
	<u>58,799</u>	<u>22,416</u>

Receivables are stated after a specific provision for doubtful debts amounting to € 3,934 (2023: € 3,934).

LES Debtors

LES debtors are stated after a specific provision for doubtful debts amounting to € 255,110 (2023: € 257,427). During the year under review, movement of € 2,317 (2023: € 5,123) was reflected as a bad debt write off with the corresponding decrease in provision for doubtful debts of the same amount.

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

	2024	2023
	€	€
Balance at 1 January	257,427	262,550
Decrease in provision for LES Debtors	(2,317)	(5,123)
Balance at 31 December	<u>255,110</u>	<u>257,427</u>

Other debtors

Other debtors are stated after a specific provision for doubtful debts amounting to € 530 (2023: € 530).

12. Cash and cash equivalents

	2024	2023
	€	€
Cash in Bank	1,699,970	1,887,003
Cash in Hand	1,355	1,992
Cash and cash equivalents	<u>1,701,325</u>	<u>1,888,995</u>

13. Trade and other payables

	2024	2023
	€	€
Trade payables	63,416	82,140
Other payables	25,202	29,077
Accruals	107,133	51,526
Financial Liabilities at amortised cost	<u>195,751</u>	<u>162,743</u>
Deferred income	9,876	9,065
Grants not yet utilised	472,659	480,704
	<u>678,286</u>	<u>652,512</u>

14. Capital commitments

	2024	2023
	€	€
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	892,118	927,118
These could be analysed as follows:		
<i>(i) Approved but not yet contracted for:</i>		
Construction	2,330	214,107
Urban Improvements	869,788	574,526
Office equipment	20,000	2,000
Office furniture & fittings	-	132,485
Trees	-	4,000
	<u>892,118</u>	<u>927,118</u>

These commitments will be partly financed from grants receivable by the Local Council amounting to € (2023: 708,348).

15. 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
Western Regional Council	Moderate 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
Department of Lands	No control
Department of Inland 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 and moderate control:

	2024	2023
	€	€
Annual Financial Allocation	1,020,872	929,136
Assistances from Western Regional Council	<u>27,579</u>	<u>16,416</u>

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

	2024	2023
	€	€
Refuse collection and waste disposal	<u>189,990</u>	<u>162,833</u>

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Local Council, directly or indirectly. The main key management personnel are the Mayor, Councillors and the Executive Secretary.

The significant transactions carried out with key management personnel are:

	2024	2023
	€	€
Personal emoluments include, inter alia:		
Mayor's Allowance	16,366	16,003
Councillors' Allowance	22,600	22,598
Executive Secretary salary and allowances	46,043	44,454
	<u>85,009</u>	<u>83,055</u>

16. 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 the council 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.

	2024	2023
	€	€
<i>Financial assets</i>		
<i>Financial assets at amortised cost</i>		
Cash and cash equivalents	1,701,325	1,888,995
Receivables	94,830	100,954
	<u>1,796,155</u>	<u>1,989,949</u>
<i>Financial liabilities</i>		
Trade payables and other payables	195,549	162,743
	<u>195,549</u>	<u>162,743</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 Council's risk management is coordinated by the Local Council members and focuses on actively securing the Council's short to medium term cash flows by minimising the exposure to financial risks.

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

Credit risk

Financial assets which potentially subject the Council to concentration of credit risk are principally made up of cash at bank and debtors. The Council's cash is placed with quality financial institutions.

The Council applies the simplified approach for all trade receivables and contract assets 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 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 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 GDP, unemployment rates and/or industry projections, where applicable, unless the effect is considered to be immaterial.

The 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 2024, trade receivables of € 25,576 (2023: € 21,847) 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 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 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 Council banks only with local financial institutions with high quality standing or rating. At 31 December 2024, cash and cash equivalents are held with counterparties with a credit rating of A+ and BBB and are callable on demand. Council consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Council.

Liquidity risk

The Council is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise trade and other payables. Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the 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 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 € 1,134,716 (2023: € 1,353,164) 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 Council as significant taking into account the liquidity management process referred to above.

The following table analyses the Council's financial liabilities into relevant maturity groupings based on the remaining period at 31 December 2024 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.

	Current		Non- Current		Total
	Payable within 1 year	Payable withing 1 & 2 years	Payable within 2 & 5 years	Payable after more than 5 years	
	€	€	€	€	€
31 December 2024					
Payables	63,416	-	-	-	63,416
Other payables	25,202	-	-	-	25,202
Accruals	107,133	-	-	-	107,133
	<u>195,751</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>195,751</u>
31 December 2023					
Payables	82,140	-	-	-	82,140
Other payables	29,077	-	-	-	29,077
Accruals	51,526	-	-	-	51,526
	<u>162,743</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>162,743</u>

With respect to the maturity of the Council's financial liabilities as at 31 December 2024, the Council disclose that the trade and other payables are entirely repayable within one year from the end of the respective reporting period.

Interest rate risk

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 12), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

Capital risk management

The Council's objectives when managing capital are to safeguard the Council's ability to continue as a going concern so that it can continue to provide a service to the residents of the Local Council by maintaining an optimal capital structure to reduce cost of capital.

The Council's equity, as disclosed in the statement of financial position, constitutes its capital. The Council's capital structure is monitored by the Executive Secretary and the Council with appropriate reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Council's activities, the capital level as at the end of the reporting period is deemed adequate by the Council.

17. Fair values estimation

At 31 December 2024 and 31 December 2023, the nominal values less estimated credit adjustments of cash at bank, other financial assets, receivables and payables are reasonable estimates in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

18. Events after the reporting date

No adjusting or significant non adjusting events have occurred between the reporting date and the date of approval of the financial statements by the Local Council members.