

Local Council Marsaxlokk

Annual Audit Report

For the year ended 31 December 2023

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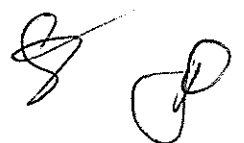
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Local Council Marsaxlokk

Contents

	Page
Statement of Local Council Members' and Executive Secretary Responsibilities	1
Statement of Comprehensive Income	2
Statement of Financial Position	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 24
Report of the Local Government Auditor	25 - 27

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Local Council Marsaxlokk

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

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 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 statement 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 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 21/02/24 and signed on its behalf by:



Steven Grech
Mayor



Karen Scicluna
Executive Secretary



Local Council Marsaxlokk

Statement of Comprehensive Income
for the year ended 31 December 2023

	Notes	2023 €	2022 €
Funds received from Central Government	3	466,877	461,060
Income raised under Local Enforcement System	4	1,578	1,478
General Income	6	28,433	14,730
		<u>496,888</u>	<u>477,268</u>
Expenditure			
Personal Emoluments	8	(158,878)	(142,405)
Operations and maintenance	9	(247,851)	(222,772)
Administration and other expenditure	10	(208,573)	(183,650)
		<u>(615,302)</u>	<u>(548,827)</u>
Operating loss for the year		<u>(118,414)</u>	<u>(71,558)</u>
Finance income	5	<u>24</u>	<u>-</u>
Loss for the year	7	<u>(118,390)</u>	<u>(71,558)</u>




Local Council Marsaxlokk

Statement of Financial Position
for the year ended 31 December 2023

ASSETS	Notes	2023 €	2022 €
Non-current assets			
Property, plant and equipment	11	130,496	147,293
Current Assets			
Receivables	12	38,107	64,141
Cash and cash equivalents	13	211,475	280,896
Total current assets		<u>249,581</u>	<u>345,037</u>
Total Assets		<u>380,078</u>	<u>492,330</u>
Reserves			
Retained earnings		190,064	308,454
		<u>190,064</u>	<u>308,454</u>
Current Liabilities			
Trade and other payables	14	190,014	183,876
		<u>190,014</u>	<u>183,876</u>
Total equity and liabilities		<u>380,078</u>	<u>492,330</u>

These financial statements were approved by the Local Council on 21/02/24 and signed on its behalf by:


Steven Grech
Mayor


Karen Scicluna
Executive Secretary



Local Council Marsaxlokk

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

	Retained Funds €	Total €
At 1 January 2022	380,012	380,012
(Loss) for the year	(71,558)	(71,558)
Current Assets	<u>308,454</u>	<u>308,454</u>
At 1 January 2023	308,454	308,454
(Loss) for the year	(118,390)	(118,390)
At 31 December 2023	<u>190,064</u>	<u>190,064</u>

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Statement of Cash Flows
for the year ended 31 December 2023

	2023	€	2022	€
	€	€	€	€
Net (loss)/profit for the year	(118,390)		(71,558)	
Reconciliation to cash generated from operations:				
Amortisation and Deprecation	48,014		65,392	
Movement in Provision for Doubtful Debts	-		-	
Interest received	-		-	
	<hr/>		<hr/>	
Operating surplus before working capital changes	(70,376)		(6,166)	
Decrease in receivables	26,033		(35,287)	
Increase in other receivables	-		-	
Increase in payables	7,969		73,354	
(Decrease)/increase in other payables	(1,830)		(1,613)	
	<hr/>		<hr/>	
Cash generated from operating activities		(38,204)		30,288
Cash flow from investing activities				
Interest received			-	
Purchase of property, plant and equipment	(37,070)		(110,888)	
Grants received	5,853		49,550	
	<hr/>		<hr/>	
Cash (used in)/generated from investing activities		(31,217)		(61,338)
		<hr/>		<hr/>
Net increase in cash in the year		(69,421)		(31,050)
Cash and equivalents at beginning of year		280,896		311,946
		<hr/>		<hr/>
Cash and equivalents at end of year		211,475		280,896
		<hr/> <hr/>		<hr/> <hr/>



1. General information

The Marsaxlokk 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 2, Triq Vittorio Cassar, Marsaxlokk. These financial statements were approved for issue by the Council Members on 21/2/24. The Local Council's presentation as well as functional currency is €.

2. Accounting Policies and Reporting Procedures

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Accounting convention

These financial statements are prepared under the historical cost convention, as modified to include fair value where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provision of the Local Council Act Cap. 363, the Financial Regulations issued in terms of this Act and the Local Council (Financial) Procedures 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards.

These financial statements have been drawn up in accordance with the policies and reporting procedures prescribed for Local Council 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 Council 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 Councils's financial results or position. Accordingly, the Council has made no changes to its accounting policies in 2023.

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

- Reference to the Conceptual Framework (Amendments to IFRS 3)
- COVID-19 – Related Rent Concessions beyond 30 June 2022 (Amendments to IFRS 16)
- Property, Plant and Equipment: Proceeds Before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements (2018-2020 Cycle):
 - Fees in the '10 per cent' Test for Derecognition of Liabilities (Amendments to IFRS 9)
 - Lease Incentives (Amendments to IFRS 16)

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

New or revised Standards or Interpretations (cont'd)

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

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Council.

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

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Deferred Tax related to Assets and Liabilities from a Single Transaction
- Disclosure of Accounting Policies (Amendments to IAS 1)
- Definition of Accounting Estimates (Amendments to IAS 8)

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 Council 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 Council's financial statements.

Accounting policies and Reporting Procedures (cont'd)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairments losses to date. Depreciation is calculated on a monthly basis using the straight line method at rated calculated to write off the costs 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	10 – 100
Urban Improvements (Street Furniture)	10 – 100
Special Projects	10 – 100
Office Equipment	20 – 100
Motor Vehicles	20 – 48
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



Accounting policies and Reporting Procedures (cont'd)

Up to the year ended 31 December 2017, depreciation was calculated on a monthly basis using the reducing balance method at rates calculated to write off the cost less residual value of each asset over its expected useful life according to IAS 16 Property, Plant and Equipment. On 1 January 2018, the straight line method in line with IAS16, has adopted, in line with Directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting estimate, and according to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, it has been accounted for prospectively.

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 asset 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 trade and other receivables.

Trade and other assets are measured at fair value, with changes in fair value subsequently recognized in profit and loss. The 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 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 recognized 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 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 the receivable after 360 days, the loss rate was adjusted to take into consideration the actual recoveries over the selected period.

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Accounting policies and Reporting Procedures (cont'd)

Impairment of cash and cash equivalents

Cash and cash equivalents are demand deposits, a one day probability of default has been applied, based on the respective external ratings of the counter party banks and adequate loss given default rate to the carrying amount at the measurement date. The Council bank 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 council as defined in international accounting standard No. 24

Revenue

Revenue is recognized when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognized in the profit or loss as it accrues.

Local enforcement system

Up till August 2011, the council use 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 council started to form part of the southern region, which took over the management of the local enforcement system and the council is receiving a 10% administration fee on every fine paid at the council. As from October 2015 LESA took over the administration of the local enforcement system.

Government grants

Government grants relating to operating expenditure are recognized in the statement of comprehensive income in the same period that the related expenditure is incurred. Government grants relating to the purchase of property, plant and equipment are accounted for using the capital approach, and are thus deducted from the carrying amount of the relative non-current asset.

Up to the year ended 31 December 2017, government grants were accounted for using the income approach according to IAS 20 Accounting for government grants and disclosure of government assistant. On 1 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 the accounting policy, and according to IAS 8 Accounting policies, changes in accounting estimates and errors it has been accounted for retrospectively.

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 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.

Accounting policies and Reporting Procedures (cont'd)

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 most receivables fall into this category of financial instruments.

Accounting policies and Reporting Procedures (cont'd)

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 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'.

Accounting policies and Reporting Procedures (cont'd)

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectant of future events that are believed to be reasonable under the circumstances.

In the opinion of the 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 Council's objectives when management capital are:

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

The Council sets the amount of capital in proportion to risk. The Council manages the capital structure and make adjustments to within the lights of changes in economic conditions and the risk characteristics of the underlying assets.

The Council monitors capital on the basis of the debt-to-adjusted capital ratio. The ration 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.

3. Funds received from central government

	2023 €	2022 €
In terms of section 55 of the Local Council Act	423,469	418,473
Other Government Income	43,408	42,587
	<u>466,877</u>	<u>461,060</u>

4. Local Enforcement Income

	2023 €	2022 €
Income for LES administration fees	1,578	1,478
	<u>1,578</u>	<u>1,478</u>

5. Investment Income

	2023 €	2022 €
Bank Interest	24	-
	<u>24</u>	<u>-</u>
	<u>24</u>	<u>-</u>

6. General Income

	2023 €	2022 €
Income from courses	1,680	2,597
Donations	-	300
Contributions	5,684	2,539
Insurance Claims	-	-
Income from Permits	21,069	9,294
	<u>28,433</u>	<u>14,730</u>
	<u>28,433</u>	<u>14,730</u>

7. Loss for the year

	2023 €	2022 €
Profit for the year is stated after charging:		
Staff salaries	158,878	142,405
Deprecation of non-current assets	48,014	65,392
	<u>158,878</u>	<u>142,405</u>
	<u>48,014</u>	<u>65,392</u>

Local Council Marsaxlokk

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

8. Personal Emoluments

	2023	2022
	€	€
Mayor's Honoraria	13,479	13,142
Mayor's & Councillors' Allowance	10,282	9,655
Executive Secretary Salary and Allowances	6,926	17,719
Employees' Salaries	118,087	94,251
Social Security Contributions	10,104	7,637
	<u>158,878</u>	<u>142,405</u>

9. Operations and Maintenance

	2023	2022
	€	€
<i>Repairs and Upkeep:</i>		
Public Property	16,139	7,736
Road/Street Pavements	3,930	439
Signs and road markings	2,292	2,417
Road & Street Patching	2,198	1,152
Office Furniture and Equipment	201	628
Plant & Equipment	155	557
Sundry Repairs	868	1,242
Other repairs and upkeep	5,654	13,022
Council property	120	324
Direct Government Grants	-	-
	<u>31,557</u>	<u>27,517</u>
<i>Contractual Services:</i>		
Refuse Collection	27,231	49,268
Bulky Refuse Collection	9,577	21,911
Tipping fees	51,028	10,526
Hire of Open Skips	3,598	9,410
Road & Street Cleaning	76,465	26,415
Cleaning & Maintenance of Non-Urban Roads	1,430	448
Cleaning – Public Conveniences	10,611	12,491
Cleaning – Council Premises	-	541
Waste Disposal	-	4,609
Cleaning & Maintenance Parks & Garden	5,182	16,216
Clean. & Maint. Soft Areas	3,712	5,425
Street Lighting	17,293	36,173
Studies & Consultations	-	-
Local Enforcement Expenses	10,166	1,822
	<u>216,294</u>	<u>195,255</u>
	<u>247,851</u>	<u>222,772</u>

10. Administrative and other expenditures

	2023 €	2022 €
Utilities	12,430	10,535
Uniforms	29	651
Sundry materials & supplies	7,318	5,004
Rent	8,000	8,000
Participation fee – Nat. Mtg.	2,522	663
Printing	2,604	1,953
Stationery	7,233	5,523
Subscriptions	-	223
Couriers	1,251	1,779
Postages	146	179
Transport	7,918	6,922
Information Services	-	7,063
Insurance Coverage	7,935	8,540
Bank Charges	926	939
Penalties	-	535
IT Development Services	7,990	7,876
Legal services	19,204	6,608
Accounting services	6,207	6,818
Professional services	9,692	6,593
Other support services	10,988	9,692
Entertainment	480	458
Other Hospitality Costs	-	1,422
Social Events	47,687	20,282
Provision for LES receivable	-	-
Amortisation and Deprecation	48,014	65,392
	<u>208,573</u>	<u>183,650</u>
	<u> </u>	<u> </u>

11. Property, plant and equipment

	Motor Vehicle	Property	Construction Works	New Street Signs	Urban Improvements	Plant and Machinery	Office & Computer Equipment	Office Furniture & Fittings	Assets under construction	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
At 1 January 2022	28,256	57,633	1,483,883	14,554	404,022	17,157	116,095	108,409	34,142	2,264,151
Additions	27,300	-	-	-	52,804	-	15,516	-	15,268	110,888
Reclassifications	-	-	-	-	-	-	-	-	-	-
At 31 December 2022	55,556	57,633	1,483,883	14,554	456,826	17,157	131,611	108,409	49,410	2,375,039
Grants										
At 1 January 2022	-	44,232	760,810	-	321,405	-	55,305	59,474	7,533	1,248,759
Government grants current year	10,170	-	-	-	39,380	-	-	-	-	49,550
At 31 December 2022	10,170	44,232	760,810	-	360,785	-	55,305	59,474	7,533	1,298,309
Depreciation										
At 1 January 2022	22,463	825	673,265	14,554	56,795	15,812	49,616	30,715	-	864,045
Charge for the year	4,916	135	24,756	-	24,971	498	7,858	2,258	-	65,392
At 31 December 2022	27,379	960	698,021	14,554	81,766	16,310	57,474	32,973	-	929,437
Net book values										
At 31 December 2022	18,007	12,441	25,051	-	14,275	847	18,832	15,962	41,877	147,293



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11 Property, plant and equipment

	Motor Vehicle	Property	Construction Works	New Street Signs	Urban Improvements	Plant and Machinery	Office & Computer Equipment	Office Furniture & Fittings	Assets under construction	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
At 1 January 2023	55,556	57,633	1,483,883	14,554	456,826	17,157	136,611	108,409	49,410	2,375,039
Additions	-	-	-	7,944	-	485	4,480	-	24,161	37,070
Reclassifications	-	-	-	-	-	-	-	-	-	-
At 31 December 2023	55,556	57,633	1,483,883	22,498	456,826	17,642	136,091	108,409	73,571	2,412,109
Grants										
At 1 January 2023	10,170	44,232	760,810	-	360,785	-	55,305	59,474	7,533	1,298,309
Government grants current year	-	-	-	-	-	-	-	-	5,853	5,853
Reclassification	-	-	-	-	-	-	-	-	-	-
At 31 December 2023	-	44,232	760,810	-	360,785	-	55,305	59,474	13,386	1,304,162
Depreciation										
At 1 January 2023	27,379	960	698,021	14,554	81,766	16,310	57,474	32,973	-	929,437
Charge for the year	4,916	-	16,083	7,944	8,607	491	4,498	2,205	-	48,014
At 31 December 2023	32,295	960	714,104	22,498	90,373	16,801	65,242	35,178	-	977,451
Net book values										
At 31 December 2023	13,091	12,441	8,969	-	5,668	841	15,544	13,757	60,185	130,496

12. Receivables

	2023 €	2022 €
Receivables	6,357	28,723
Other receivables	2,808	2,808
Accrued income	26,122	25,576
	<hr/>	<hr/>
Financial assets	35,286	57,107
	<hr/>	<hr/>
Prepayments	2,820	7,034
	<hr/>	<hr/>
	38,107	64,141
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Receivables

Receivables are non-interest bearing and are generally 30-days term.

General receivables are analysed as follows:

	2023 €	2022 €
Within credit period	6,189	319
Exceeded credit period but not impaired	168	28,404
	<hr/>	<hr/>
	6,357	28,723
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LES Debtors

LES debtors are stated after a specific provision for doubtful debts amounting to €183,580 (2022: €183,580).

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

	2023 €	2022 €
Balance at 1 January	183,580	183,580
(Decrease) in provision for LES Debtor	-	-
	<hr/>	<hr/>
	183,580	183,580
	<hr/>	<hr/>
	<hr/>	<hr/>

Local Council Marsaxlokk

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

13. Cash and equivalents

	2023 €	2022 €
Bank Balances	210,947	280,368
Cash in Hand	528	528
Cash and cash equivalents	<u>211,475</u>	<u>280,896</u>

14. Payables

	2023 €	2022 €
Payables	80,784	74,475
Other payables	1,660	-
Accruals	45,314	47,144
Financial Liabilities	<u>127,758</u>	<u>121,620</u>
Deferred income and grants	62,256	62,256
	<u>190,014</u>	<u>183,876</u>

15. Capital commitments

	2023 €	2022 €
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for		
These could be analysed as follows:	332,433	201,945
(i) Approved but not yet contracted		
Urban improvements	332,433	201,945
	<u>332,433</u>	<u>201,945</u>

16. Contingent liabilities and contingent asset

The council is still discussing a penalty received from the Environment & Resources Authority to € 6,400 (2022: € 6,400). The outcome is uncertain and due to this, the amount has not been provided for.

17. Related party transactions

During the year under review, the 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
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
Wasterserv Malta Limited	No Control
Commissioner for Data Protection	No Control

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

	2023 €	2022 €
Annual Financial Allocation	423,471	418,473
	<u> </u>	<u> </u>

Key management compensation

Transactions with key management personnel are disclosed in note 7.

18. Financial Risk Management

The exposure to risk and the way risks arises, 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 the 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.

	2023 €	2022 €
Categories of financial instruments		
Financial assets		
Loans and receivables	38,106	64,141
Cash and bank balances	211,475	280,896
Receivables	<u>249,581</u>	<u>345,037</u>
	<u> </u>	<u> </u>
Financial liabilities		
Trade payables and other payables	190,014	183,876
	<u>190,014</u>	<u>183,876</u>
	<u> </u>	<u> </u>

The Council is exposed to credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Council is not exposed to any market risk. The Council's risk management is coordinated by the Council members and focuses on actively securing the Council's short to medium term cash flows by minimizing 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 to 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 allowances. 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 costs or effort to measure life time expected loss on an individual instrument basis and in order to ensure the life time expected credit losses are recognized before and 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 actuals 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' 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 30 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 €2,808 (2022: €2,075) 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. Categorization 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 utilized in managing exposures with customer. Exposure is immaterial.

Cash and cash equivalents

The Council banks only with local financial institution with high quality standing or rating. At 31 December 2023 cash and cash equivalents are held with counterparty with a credit rating and are callable on demand. The Council considers the probability of default to be close to zero as the counterparty has a strong capacity to meet its contractual obligations in the near term. As a result, no loss allowance has been recognized 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 comprises 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 flow 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 asset position amounted to € 302,236 (2022: €228,667) view of the matching of cash inflows and outflows arising from the 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 grouping based on the remaining period at 31 December 2023 to the contractual maturity date. The amounts disclosed below are the contractual undiscounted cash flows. Balance due within equal their carrying balances, as the impact of discounting is not significant.

	Current Payable Within 1 year	Payable within 1&2 years	Non-Current Payable Within 2&5 years	Payable after more than 5 years	Total
31 December 2023	€	€	€	€	€
Payables	82,444	-	-	-	82,444
Accruals	45,314	-	-	-	45,314
	<u>127,758</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>127,758</u>
	<u>127,758</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>127,758</u>
31 December 2022					
Payables	74,475	-	-	-	74,475
Other payables	-	-	-	-	-
Accruals	47,144	-	-	-	47,144
	<u>121,620</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>121,620</u>
	<u>121,620</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>121,620</u>

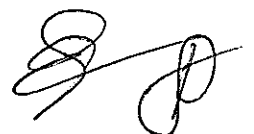
With respect to the maturity of the Council's financial liabilities as at 31 December 2023, the Council discloses that the trade and other payables are entirely repayable within one year from the end of the respective reporting period.

19. Fair value estimation

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

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Auditors' Report to Local Council Marsaxlokk

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

Auditors' Report to Local Council Marsaxlokk

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