

HAL-SAFI LOCAL COUNCIL
Report and Financial Statements for
the year ended 31 December 2022

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Obo Dconsulta Ltd,
(May 2023)

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HAL-SAFI LOCAL COUNCIL

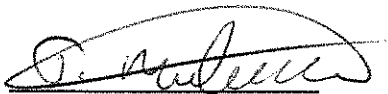
STATEMENT OF COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S RESPONSIBILITIES

For the year ended 31 December 2022

The Local Government (Financial) Regulations 1993 require the Executive Secretary to prepare a detailed Annual Administrative Report which includes a statement of the Local Council's statement of comprehensive income for the year and of the Local Council's retained funds at the end of the year. By virtue of the same regulations it is the duty of the Local Council and the Deputy Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with 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 ensure that an appropriate system of internal control is in operation, to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, 1993, the Local Council (Financial) Regulations, 1993, and the policies, systems and time scales referred to in the Local Council (Financial) Procedures, 1996. The Deputy Executive Secretary is also responsible to provide reasonable assurance that the assets of the Local Council are properly safeguarded, that fraud and other irregularities will be detected and that the operations of the Local Council are properly conducted in accordance with the Local Councils Act, 1993.

This statement was approved by the Council on 14th June 2023 and signed on its behalf by:



Johan Mula
Mayor



Maria Dolores Baldacchino
Executive Secretary

HAL-SAFI LOCAL COUNCIL

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	Year Ended 2022	Year Ended 2021
		€	€
Income			
Funds received from Central Government	3	337,355	314,356
Income raised under Council Bye-laws	4	13,866	11,001
Income from Local Enforcement System	5	2,487	2,215
General and other income	6	8,893	13,568
		<hr/>	<hr/>
		362,601	341,140
Expenditures			
Personnel emoluments	7	(115,794)	(95,592)
Operations and maintenance	8	(120,778)	(133,447)
Administrative and other expenditures	9	(106,863)	(83,923)
		<hr/>	<hr/>
		(343,435)	(312,962)
Operating Surplus for the year			
		19,166	28,178
Finance income	10	34	-
Finance charge	11	(61)	(400)
		<hr/>	<hr/>
Net Surplus for the year		19,139	27,778
		<hr/>	<hr/>
Total Comprehensive Income		19,139	27,778
		<hr/>	<hr/>

The notes on pages 6 to 29 form an integral part of these financial statements.

HAL-SAFI LOCAL COUNCIL

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	Year Ended 2022 €	Year Ended 2021 €
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	12	414,532	371,758
<i>Current assets</i>			
Trade and other receivables	13	16,838	17,702
Cash and cash equivalents	14	219,503	218,444
		236,341	236,146
Total assets		650,873	607,904
Reserves and liabilities			
<i>Reserves</i>			
Retained earnings		554,753	535,614
<i>Current liabilities</i>			
Short-term borrowings	15	2,210	1,450
Trade and other payables	16	93,910	70,840
		96,120	72,290
Total reserves and liabilities		650,873	607,904

The financial statements were approved by the Council on 14th June 2023 and signed on its behalf by:



Johan Mula
Mayor



Maria Dolores Baldacchino
Executive Secretary

The notes on pages 6 to 29 form an integral part of these financial statements.

HAL-SAFI LOCAL COUNCIL

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Retained Earnings €	Total Earnings €
At 1 January 2021	507,836	507,836
Total comprehensive income for the year	27,778	27,778
At 31 December 2021	535,614	535,614
At 1 January 2022	535,614	535,614
Total comprehensive income for the year	19,139	19,139
At 31 December 2022	554,753	554,753
Equity Interest	554,753	554,753

The notes on pages 6 to 29 form an integral part of these financial statement

HAL-SAFI LOCAL COUNCIL

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 €	2021 €
Cash flows from operating activities			
Total comprehensive income for the year		19,139	27,778
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	12	14,947	18,798
Decrease in provision for bad debts		(11,948)	(292)
Finance income	10	(34)	-
Finance cost	11	61	400
		<u>22,165</u>	<u>46,684</u>
<i>Movements in working capital:</i>			
(Increase) in receivables		(15,694)	25,220
Increase in payables		(5,436)	(10,881)
Net cash flows generated from operating activities		<u>1,035</u>	<u>61,023</u>
Cash flows used in investing activities			
Purchase of property, plant and equipment	12	(72,676)	(165,900)
Interest received	10	34	-
Interest paid	11	(61)	(400)
Net cash flows used in investing activities		<u>(72,703)</u>	<u>(166,300)</u>
Cash flows from financing activities			
Grants received		71,967	46,531
Net cash flows generated from financing activities		<u>71,967</u>	<u>46,531</u>
Net (decrease) / increase in cash and cash equivalents		299	(58,746)
Cash and cash equivalents at beginning of year		<u>216,994</u>	<u>275,740</u>
Cash and equivalents at end of year	14	<u><u>217,293</u></u>	<u><u>216,994</u></u>

The notes on pages 6 to 29 form an integral part of these financial statements.

HAL-SAFI LOCAL COUNCIL

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

1. General Information

The Hal-Safi Local Council (the “local council”) is a local authority of Malta set up in accordance with the Local Councils Act (1993). The office of the Local Council is situated at Dar il-Kunsill, Triq l-Iskola, Hal-Safi. These financial statements were approved for issue by the Council Members on the 10th August 2022. The Local Council's presentations as well as functional currency are denominated in Euro (€). Its ultimate controlling party is the Department for Local Government within the Office of the Prime Minister.

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.

a) 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 Government Act, 1993 (Chap. 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 (IFRSs), 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 Government Act, 1993 (Chap. 363).

b) Standards, amendments and interpretations to existing standards

The new and revised standards that became effective for annual periods beginning on or after 1 January 2022 made several minor amendments to a number of IFRSs. None of the changes to IFRSs and interpretations has had, or is expected to have, a material impact on the council's financial statements.

New and amended standards adopted by the Council

Information on new standards, amendments and interpretations that are relevant to the Council's financial statements is provided below. Certain other new standards and interpretations not listed below have been issued but are not relevant and therefore are not expected to have any impact on the Council's financial statements.

The Council started to adopt the new accounting pronouncements which have become effective this year, and are as follows:

2. Accounting Policies and Reporting Procedures – continued

b) Standards, amendments and interpretations to existing standards - continued

Onerous Contract – Cost of Fulfilling a Contract (Amendments to IAS 37)

This pronouncement amended IFRS 37 ‘Provisions, Contingent Liabilities and Contingent Assets’ and clarifies that when assessing if a contract is onerous, the cost of fulfilling it includes all costs related directly to the contract. Such costs include both:

- the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract, like direct labor and materials); and
- an allocation of other costs that relate directly to fulfilling the contract (e.g. contract management and supervision, or depreciation of equipment used in fulfilling it).

Proceeds before Intended Use (Amendments to IAS 16)

The amendments introduce new guidance to IAS16 ‘Property, Plant and Equipment’, which prohibit entities from deducting from the costs of PPE amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognise such sales proceeds and related costs in profit and loss.

These amendments do not have a significant impact on these financial statements and therefore the disclosures have not been made.

New Standards, amendments and interpretations to existing standards that are not yet effective.

At the date of authorisation of these financial statements, several new, but not 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 Local Council. These are the following:

On 23 January 2020, the IASB issued ‘Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)’ providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place of the reporting date. The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

On 18 May 2017, the IASB issued IFRS 17 ‘Insurance Contracts’ that require insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 as is effective for annual reporting periods beginning on or after from 1 January 2023.

On 12 February 2021, the IASB issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement2), that require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

2. Accounting Policies and Reporting Procedures – continued

b) Standards, amendments and interpretations to existing standards - continued

On 12 February 2021, the IASB issued amendments to IAS 8, replacing the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

On 31 October 2023, the IASB issued amendments to IAS 1, that clarifies how conditions with which an entity must comply within twelve months after the reporting period effect the classification of a liability. The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

The Councillors and Executive Secretary anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of 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 financial statements.

c) Leases

The Local Council as lessee

The Local Council assesses whether a contract is or contains a lease, at inception of the contract. The Local Council recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Local Council recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Local Council uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.
- The amount expected to be payable by the lessee under residual value guarantees.
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

2. Accounting Policies and Reporting Procedures – continued

c) Leases - continued

The Local Council remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The right-of-use assets are presented as a separate line in the statement of financial position. The Local Council applies IAS 36 to determine whether a right-of-use asset is impaired.

d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, impairment and grants received for specific projects (which grants were treated through the balance sheet approach). Depreciation is calculated monthly using the straight-line method of depreciation at rates estimated to write down the cost of all assets over their expected useful life, other than land and trees as follows:

	Rates in %
Land & Trees	-
Buildings	1
Office Furniture & Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Programmes (Projects)	10
Office Equipment	20
Computer Equipment	25
Motor Vehicles	20
Plant and Machinery	20
Road/Street Signs	Replacement basis
Litter Bins	Replacement basis
Playground Equipment	100
Street Lighting	100
Street Mirrors	Replacement basis
Plants	100

2. Accounting Policies and Reporting Procedures – continued

d) Property, plant and equipment – continued

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 surplus. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each year end. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Local Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial year in which they are incurred.

e) Impairment of property, plant and equipment

At the end of each reporting year, the Local Council reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Local Council estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Tangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2. Accounting Policies and Reporting Procedures – continued

f) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and bank balances overdrawn.

g) Receivables

Receivables are recognised initially at the transaction price, less provision for impairment. A provision for impairment of general receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

A provision for impairment is established when there is objective evidence that the Local Council will not be able to collect all amounts receivable. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount to be received is impaired. Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

h) Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard No. 24.

i) Payables

Payables and accrued expenditure are recognised initially at the transaction price and subsequently measured at amortised cost. The difference between the proceeds and the amount payable is recognised over the period of the payable using the effective interest method.

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

2. Accounting Policies and Reporting Procedures – continued

j) 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 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, receivables and most other receivables fall into this category of financial instruments.

2. Accounting Policies and Reporting Procedures – continued

j) Financial instruments - continued

Impairment of financial assets

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

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

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

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
 - financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

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

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

Financial liabilities

The council's financial liabilities include other payables. These are stated at their nominal amount which is a reasonable approximation of fair value.

All interest-related charges are included within 'finance costs'.

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

2. Accounting Policies and Reporting Procedures – continued

k) Income recognition

Income in general is stated when there is reasonable certainty that the income would be receivable and thus can be accrued for. Other income such as that derived from the organisation of courses, cultural, sporting, and social activities is only recognised on a cash basis.

Income from investment activities is recognised when the rights of receipt have been established.

Interest income from financial assets is recognised when it is probable that the economic benefits will flow to the Local Council and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

l) Government grants

Government grants relating to operating expenditure are recognised in the Statement of Comprehensive income in the same period that the related expenditure is incurred.

Government grants relating to the purchase of property, plant and equipment are accounted for using the capital approach; and are thus deducted from the carrying amount of the relative non-current asset. 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

Government grants are not recognised until there is reasonable assurance that the Local Council will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in statement of comprehensive income on a systematic basis over the years in which the Local Council recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Local Council with no future related costs are recognised in statement of comprehensive income in the year in which they become receivable.

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

2. Accounting Policies and Reporting Procedures – continued

m) Foreign currencies

Functional and presentation currency

These financial statements are presented in Euro (€), which is the Local Council's functional and presentation currency. In preparing the financial statements of the Council, transactions in currencies other than the Local Council's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting year, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical costs in a foreign currency are not retranslated.

n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for the intended use or sale.

Investment income on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in total comprehensive income for the year in which they are incurred.

o) Judgements in applying accounting policies and key sources of estimating uncertainty

In the process of applying the Local Council's accounting policies, the Council Members have made no judgements which can significantly affect the amounts recognised in the financial statements.

At the end of the reporting year, except as disclosed in note 20, there were no key assumptions concerning the future, or any other key sources of estimating uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

p) 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.

HAL-SAFI LOCAL COUNCIL

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

2. Accounting Policies and Reporting Procedures – continued

q) Provisions

Provisions are recognised when the Local Council has a present obligation (legal or constructive) as a result of a past event, it is probable that the Local Council will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting year, considering the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

3. Funds received from Central Government

	2022	2021
	€	€
In terms of section 55 of the Local Councils Act, 1993	299,908	289,496
Supplementary income	37,447	24,860
	<u>337,355</u>	<u>314,356</u>

4. Income raised under Council Bye-laws

	2022	2021
	€	€
Income from permits	10,816	9,463
Income from kiosks	246	-
Income from hire of football pitch	2,804	1,538
	<u>13,866</u>	<u>11,001</u>

5. Income from Law Enforcement System

	2022	2021
	€	€
Contraventions	<u>2,487</u>	<u>2,215</u>

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

5. Income from Law Enforcement System - continued

In accordance with the Law Enforcement System (LES) issued by the Ministry by virtue of Section 72 of the Local Councils Act, 1993, the income relating to contraventions was delegated to the local councils through Legal Notice 32 of 2000.

Up to the 31 August 2011, income from contraventions was based on cash received which represented 100% of the contravention.

As from the 1 September 2011 the contraventions previously accruing to the Council started accruing in favour of the 'Regjun Nofsinnhar'. The Council's income from the Law Enforcement System therefore started reflecting two revenue streams as of that date. The revenue streams are as follows:

- a) Receipts of funds accruing to the council up to the 31 August 2011;
- b) 10% on the contraventions accruing to all Regional Committees that were settled at the Council's cash point.

6. General and other income

	2022	2021
	€	€
Income from community and cultural activities	610	1,520
Income from local regions	3,562	5,637
Income from sponsorships	-	273
Income from library services	1,772	1,743
Income from MEPA guarantee	-	1,232
Income from Wasteserv	-	(776)
Other income	2,949	3,939
	<u>8,893</u>	<u>13,568</u>

7. Personnel emoluments

	2022	2021
	€	€
<i>Personnel emoluments include:</i>		
Mayor's honoraria	10,742	10,571
Council members' allowances	13,000	13,000
Executive secretary's salary	45,872	32,239
Employees' salary	40,026	34,140
Social security contribution	6,154	5,642
	<u>115,794</u>	<u>95,592</u>

HAL-SAFI LOCAL COUNCIL

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

8. Operations and maintenance

	2022	2021
	€	€
<i>Operations and maintenance include:</i>		
Repairs and Upkeep:		
Road and street pavements	276	1,563
Road signs and markings	4,489	5,340
Other repairs & upkeep	6,034	3,527
Public property	-	23,163
Office furniture and equipment repairs	2,838	41
Plant & machinery and sundry repairs	5,060	5,179
Street lighting	5,141	5,419
	<hr/> 23,838	<hr/> 44,232
Contractual Services:		
Waste disposal	12,164	12,036
Refuse collection	34,237	28,411
Bulky refuse collection	5,845	4,265
Road and street cleaning	17,099	17,099
Cleaning and maintenance - public conveniences	3,900	3,900
Cleaning and maintenance soft areas	2,516	2,516
Cleaning council premises	8,122	7,647
Other contractual service	12,904	13,035
LES related expenses	153	306
	<hr/> 96,940	<hr/> 89,215
Total Operations and Maintenance expenses	<hr/> 120,778	<hr/> 133,447

HAL-SAFI LOCAL COUNCIL

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

9. Administrative and other expenditures

	2022	2021
	€	€
Utilities	12,987	10,469
Operating materials and supplies	2,081	2,668
Participation fee national and EU organisations	856	217
Office services	5,006	3,046
Overseas Travelling & Subsistence	673	
Transport expenses	2,037	1,936
Information services	1,070	1,000
Library expenses	3,830	4,900
Insurance coverage	2,342	2,023
Bank charges	774	348
Professional services	10,905	17,597
ICT expenses	1,880	1,695
Community services and social events	42,545	13,735
Sundry minor expenses	28	52
Rent	4,902	5,731
Depreciation of property, plant and equipment	14,947	18,798
Decrease in provision for bad debts (LES)	-	(292)
	<u>106,863</u>	<u>83,923</u>

10. Finance income

	2022	2021
	€	€
Bank interest receivable	<u>34</u>	<u>-</u>

11. Finance costs

	2022	2021
	€	€
Bank interest paid	<u>61</u>	<u>400</u>

HAL-SAFI LOCAL COUNCIL

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

	12. Property, plant and equipment										
	Assets Under Buildings and Construction Improvements	Construction Works	Office Furniture and Fittings	New Street Signs	Urban Improvements	Trees	Office and Computer Equipment	Plant and machinery	Special Programmes	Total	
Cost	€	€	€	€	€	€	€	€	€	€	€
At 1 January 2022	123,311	267,132	330,194	52,375	18,611	229,946	1,031	56,435	16,807	311,428	1,407,270
Additions	81,938	-	21,066	2,427	-	3,439	-	159	-	-	109,029
At 31 December 2022	205,249	267,132	351,260	54,802	18,611	233,385	1,031	56,594	16,807	311,428	1,516,299
Grants											
At 1 January 2022	28,506	-	198,270	1,390	-	103,883	-	6,571	6,677	27,247	372,544
Additions	51,308	-	-	-	-	-	-	-	-	-	51,308
At 31 December 2022	79,814	-	198,270	1,390	-	103,883	-	6,571	6,677	27,247	423,852
Depreciation											
At 1 January 2022	-	47,883	103,545	43,311	18,611	108,732	-	47,486	9,219	284,181	662,968
Charge for the year	-	2,680	5,128	3,105	-	2,523	-	1,103	408	-	14,947
At 31 December 2022	-	50,563	108,673	46,416	18,611	111,255	-	48,589	9,627	284,181	677,915
Net Book Value at 31 December 2022	125,435	216,569	44,317	6,996	-	18,247	1,031	1,434	503	-	414,532

HAL-SAFI LOCAL COUNCIL

Notes to the Financial Statements
for the year ended 31 December 2021

12. Property, plant and equipment - continued

Cost	Assets Under Construction	Buildings and Improvements	Construction Works	Office Furniture and Fittings	New Street Signs	Urban Improvements	Trees	Office and Computer Equip. machinery	Plant and	Special Programmes	Total
€	€	€	€	€	€	€	€	€	€	€	€
At 1 January 2021	5,220	267,132	287,957	51,145	18,611	225,856	1,031	56,183	16,807	311,428	1,241,370
Additions	118,091	-	42,237	1,230	-	4,090	-	252	-	-	165,900
At 31 December 2021	123,311	267,132	330,194	52,375	18,611	229,946	1,031	56,435	16,807	311,428	1,407,270
Grants											
At 1 January 2021	-	-	156,033	400	-	100,579	-	6,571	6,677	27,247	297,507
Prior-year adjustment (note 21)	28,506	-	-	-	-	-	-	-	-	-	28,506
Additions	-	-	42,237	990	-	3,304	-	-	-	-	46,531
At 31 December 2021	28,506	-	198,270	1,390	-	103,883	-	6,571	6,677	27,247	372,544
Depreciation											
At 1 January 2021	-	45,203	95,275	39,503	18,611	106,495	-	46,091	8,811	284,181	644,170
Charge for the year	-	2,680	8,270	3,808	-	2,237	-	1,395	408	-	18,798
At 31 December 2021	-	47,883	103,545	43,311	18,611	108,732	-	47,486	9,219	284,181	662,968
Net book Value at 31 December 2021	94,805	219,249	28,379	7,674	-	17,331	1,031	2,378	911	-	371,758

13. Trade and other receivables

	2022	2021
	€	€
Falling due within one year		
Receivables – LES (i)	78,709	90,657
Provision for doubtful debts – LES (i)	(78,709)	(90,657)
Trade receivables	5,420	5,120
Other receivables	-	1,960
Prepayments and accrued income	11,418	10,622
	<u>16,838</u>	<u>17,702</u>

	2022	2021
	€	€
Falling due within one year:		
Within Credit period	3,712	3,750
Exceeding credit period but not impaired	1,708	1,370
Impaired and provided for	78,709	90,657
Provision for doubtful debts	<u>(78,709)</u>	<u>(90,657)</u>
	<u>5,420</u>	<u>5,120</u>

- (i) Local Enforcement System (LES) debtors amount to € 78,709 have been fully provided for. As at 31 December 2022, provision for doubtful debts amounted to € 78,709 (2021: € 90,657). During the year, the movement of € 11,948 was adjusted for as a bad debt with the corresponding decrease in provision for doubtful debts of the same amount. All other receivables are within credit period allowed and receivable within 1 year.

HAL-SAFI LOCAL COUNCIL

14. Cash and cash equivalents

Cash and cash equivalents comprise the following amounts:

	2022	2021
	€	€
Petty cash	1,403	120
Bank balances: Savings and current accounts	137,546	137,700
Bank balances: LES deposits account	69,574	69,609
Bank balances: football ground sinking fund account	10,980	11,015
Cash and cash equivalents in the statement of Financial position	219,503	218,444
Less bank balances overdrawn (note 15)	(2,210)	(1,450)
Cash and cash equivalents in the statement of cashflows	217,293	216,994

15. Short-term borrowings

	2022	2021
	€	€
Falling due within one year:		
Bank balances overdrawn	2,210	1,450

16. Trade and other payables

	2022	2021
	€	€
Falling due within one year:		
Trade payables	23,694	29,535
Other creditors	7,884	586
Accruals	18,613	11,037
Deferred income	43,719	29,682
	93,910	70,840

17. Capital commitments

	2022	2021
	€	€
<i>Details of capital commitments at the accounting date are as follows:</i>		
(i) Contracted for and partly provided for (note (a))	80,900	56,000
(ii) Approved but not yet contracted for (note (b))	194,000	67,012

Capital Commitments refer to projects as follows:

- (a) Capital Projects including restoration of Rubble Wall and Sir Alexander Ball under the Rural Development Programme (2014 – 2020. Measure 4.4) as well as the Promotion of Cultural Heritage and Development of Green Infrastructure under measure 19.2
- (b) Capital Projects including San Benedittu Project, Restoration of “Niccec”, Playing Field Renovation and purchase of an Electric Van. Total funding for these projects is estimated to be € 150,000 under various EU and Local Government schemes.

18. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The ultimate controlling party of the Hal-Safi Local Council is the Local Councils Department within the Office of the Prime Minister.

All the companies, Authorities and Agencies set-up by the Central Government are also considered to be related parties to Safi Local Council but do not have significant control. All Regional Committees (from 1 September 2011), the Local Councils Association and the other Local Councils are also considered to be related parties.

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

Name of Entity:	Nature of Relationship
Department of Local Councils	Significant
Regional Committee - Local Law Enforcement	No Control
Bank of Valletta	No Control
Department of Education	No Control
Enemalta Corporation	No Control
Local Councils Association	No Control
Water Services Corporation	No Control
Wasteserv Malta Limited	No Control
Works Division - Director General Works	No Control

	2022	2021
	€	€
Income - annual financial allocation	299,908	289,496

18. Related party transactions - continued

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 Major, Councillors and the Executive Secretary.

The significant transactions carried out with key management personnel are:

	2022	2021
	€	€
Personal emoluments include, inter alia:		
Mayor's Allowance	10,742	10,571
Councillors' Allowance	13,000	13,000
Executive Secretary salary and allowances	47,803	32,239
	<hr/>	<hr/>

19. Financial Risk Management

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

Where applicable, any significant changes in the Local Council's exposure to financial risks or manner in which the Local 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 risk exposure associated with the financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

With respect to credit risk, the receivables are monitored continuously for recoverability. Receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Known bad debts are therefore maintained to the lowest possible, thereby lowering as much as possible the concentration of credit risk.

19. Financial Risk Management – continued

19.1 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, as summarised below:

	2022	2021
	€	€
Class of financial assets – carrying amounts		
Trade and other receivables	16,838	17,702
Cash and Cash Equivalents	219,503	218,444
	<u>236,341</u>	<u>236,146</u>

The council continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The council’s policy is to deal with only creditworthy counterparties.

The council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. The credit risk exposure on financial assets is low since all non-impaired trade receivables are all related to ‘The Government of Malta’. See note 6 for further information on impairment of financial assets that are past due.

None of the council’s financial assets is secured by collateral or other credit enhancements.

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. The Council’s cash is placed with a quality financial institutions.

19.2 Liquidity risk

The council’s exposure to liquidity risk arises from its obligations to meet its financial liabilities which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funds to meet the council’s obligations when they become due.

The council manage its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. The council’s liquidity is deemed to be sufficient in view of an excess of financial assets.

19. Financial Risk Management – continued

19.2 Liquidity risk - continued

At 31 December 2022, the Council’s financial liabilities have contractual maturities which are summarised as follows:

	Current Within 1 year	Non – Current	
		1 to 5 years	More than 5 years
	€	€	€
Payables	31,578	-	-
Accruals and deferred income	62,332	-	-
	<hr/>	<hr/>	<hr/>

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

	Current Within 1 year	Non – Current	
		1 to 5 years	More than 5 years
	€	€	€
Payables	30,121	-	-
Accruals and deferred income	40,719	-	-
	<hr/>	<hr/>	<hr/>

19.3 Interest Rate risk

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 14), 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.

19. Financial Risk Management – continued

19.4 Summary of the financial assets and liabilities by category

The carrying amounts of the council’s financial assets and liabilities as recognised at the reporting dates under review are categorised as follows:

	2022	2021
	€	€
Current Assets		
Trade and other receivables	16,838	17,702
Cash and Cash Equivalents	219,503	218,444
	<u>236,341</u>	<u>236,146</u>
	2022	2021
	€	€
Current Liabilities		
Financial Liabilities measured at amortised costs:		
Payables	23,694	29,535
Other creditors	7,884	586
Accruals	18,613	11,037
	<u>50,191</u>	<u>41,158</u>

19.5 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.

20. Fair value estimation

At 31 December 2022 and 31 December 2021, the carrying amounts of cash at bank, other financial assets, receivables and payables reflected in the financial statements are reasonable estimates of fair value 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.

21. Prior -year adjustment

A grant receivable amounting to € 28,506 was not reflected in the previous year. A prior-year adjustment has been reflected against Trade and other payables to decrease deferred income as disclosed in note 16 to the financial statements, with the corresponding grant being reflected against Property, Plant and Equipment as disclosed in note 12 to the financial statements. The depreciation charge in the previous year was not affected since such assets relate to Assets Under Construction.

The effect of the restatement of the financial statements for the year ended 31 December 2021 is summarized below:

	As previously stated	As re-stated	Difference
	€	€	€
Effect on Statement of Financial Position			
Property, Plant and Equipment	400,264	371,758	28,506
Trade and other payables	99,346	70,840	(28,506)

22. 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 14th June 2023 by the Council Members.

