

KUNSILL LOKALI ĦAL LIJA
HAL LIJA LOCAL COUNCIL

Lija Local Council

Annual Report and Financial Statements

For the year ended 31 December 2023



Lija Local Council

For the year ended 31 December 2023

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Lija Local Council

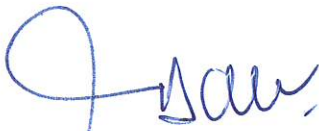
Statement of Local Council Members' and Executive Secretary's Responsibilities

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 the Local Council's comprehensive income for the year, and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Council, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Council (Financial) Regulations, and the Local Council (Financial) Procedures issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Council (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Local Council on 20th May 2024 and signed on its behalf by:



Mr. Anthony Dalli
Mayor



Ms. Pamela Seguna
Executive Secretary


Independent Local Government Auditor's Report to the Auditor General

Report on the Audit of the Financial Statements

9 ✓² ps


Independent Local Government Auditor's Report to the Auditor General

Report on the Audit of the Financial Statements

 3 p5

Independent Local Government Auditor's Report to the Auditor General

Report on the Audit of the Financial Statements

 4 ps


Lija Local Council

Statement of Comprehensive Income

For the Year Ended 31 December 2023

		2023	2022
	Note	€	€
Revenue			
Funds received from Central Government	3	386,087	446,764
Income raised from Local Enforcement System	4	1,486	2,166
General income	5	13,981	19,258
		401,554	468,188
Expenditure			
Personnel emoluments	6	(115,880)	(117,539)
Operations and maintenance	7	(146,329)	(219,944)
Administration and other expenditure	8	(117,775)	(97,891)
		(379,984)	(435,374)
Operating profit for the year		21,570	32,814
Finance cost	9	(1,879)	(2,445)
Total comprehensive income for the year		19,691	30,369

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

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Lija Local Council

Statement of Financial Position

As At 31 December 2023

	Note	2023 €	2022 €
ASSETS			
Non-current assets			
Property, plant and equipment	10	110,229	90,129
Total non-current assets		110,229	90,129
Current assets			
Trade and other receivables	11	48,079	47,984
Cash and cash equivalents	12	328,979	328,938
Total current assets		377,058	376,922
TOTAL ASSETS		487,287	467,051
RESERVES AND LIABILITIES			
Reserves			
Retained earnings		334,990	315,299
Total reserves		334,990	315,299
Liabilities			
Non-current liabilities			
Deferred income	13	43,969	51,314
Lease liability – non-current	14	25,660	37,581
		69,629	88,895
Current liabilities			
Trade and other payables	14	82,668	62,857
Total current liabilities		82,668	62,857
Total liabilities		152,297	151,752
TOTAL RESERVES AND LIABILITIES		487,287	467,051

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

These financial statements on pages 5 to 24 were approved by the Local Council on 20th May 2024 and were signed on its behalf by:



Mr. Anthony Dalli
Mayor



Ms. Pamela Seguna
Executive Secretary



Lija Local Council

Statement of Changes in Equity

For the Year Ended 31 December 2023

	Retained Earnings €	Total Equity €
Balance as at 1 January 2023	315,299	315,299
Total comprehensive profit for the year	19,691	19,691
Balance as at 31 December 2023	334,990	334,990

	Retained Earnings €	Total Equity €
Balance as at 1 January 2022	284,930	284,930
Total comprehensive profit for the year	30,369	30,369
Balance as at 31 December 2022	315,299	315,299

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

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Lija Local Council

Statement of Cash Flows

For the Year Ended 31 December 2023

		2023	2022
	Notes	€	€
Cash from operating activities:			
Comprehensive profit for the year		19,691	30,369
Depreciation of property, plant and equipment	10	26,123	19,904
Interest paid		1,879	2,445
Deferred income released	13	(212,443)	(60,896)
Operating loss before changes in working capital		(164,750)	(8,178)
Increase in receivables		(95)	(38,167)
Increase in payables		22,493	84,902
Grants generated	10	321,949	24,579
Net cash flows generated from operating activities		179,597	63,136
Cash from investing activities:			
Purchase of property, plant & equipment	10	(368,172)	(157,580)
Receipt of grant		205,098	60,186
Net cash flows used in investing activities		(163,074)	(97,394)
Cash from financing activities:			
Lease interest paid		(1,879)	(2,445)
Lease payments	14	(13,800)	(13,800)
Net cash flows used in financing activities		(15,679)	(16,245)
Net movement in cash and cash equivalents		844	(50,503)
Cash and cash equivalents at beginning of year		328,135	378,638
Cash and cash equivalents at end of year	12	328,979	328,135

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

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Lija Local Council

Notes to the Financial Statements

For the Year Ended 31 December 2023

1. General Notes

a) Entity information

Hal Lija Local Council is the local authority of Hal Lija set up in accordance with the Local Council's Act. The office of the Local Council is situated at 36, Videnza, Triq il-Mithna, Hal Lija. These financial statements were approved for issue by the Council on 20th May 2024. The Council's financial statements are prepared on a going concern basis and are presented in euro which is the functional currency of the Council.

b) Basis of preparation

The financial statements have been prepared and presented in accordance with the provisions of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

These financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap.363).

The financial statements have been prepared on a historical cost basis.

c) Functional and presentation currency

The financial statements are presented in Euro (€), which is the Local Council's functional and reporting currency.

Transactions denominated in foreign currencies are converted to the functional currency at the rates of exchange ruling on the dates on which the transactions first qualify for recognition. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in profit or loss.

d) Use of estimates and assumptions

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

e) New or revised Standards or Interpretations

New standards adopted as at 1 January 2023

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

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

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

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

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Lija Local Council

Notes to the Financial Statements

For the Year Ended 31 December 2023

1. General Notes (continued)

e) New or revised Standards or Interpretations (continued)

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

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

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

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

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

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

f) Going concern

The Statement of Financial Position on page 6 and the notes thereto, with special reference to capital commitments, suggest that the going concern assumption used in the preparation of these financial statements is dependent on further sources of funds other than the annual financial allocation by Central Government, on the collection of debts due to the Local Council and on the continued support of the Council's creditors. Any adverse change in either of these assumptions above, would not let the Local Council able to meet its financial obligations as they fall due without curtailing its future commitments.

Lija Local Council

Notes to the Financial Statements

For the Year Ended 31 December 2023

2. Material Accounting Policies

a) Property, plant and equipment

i. Valuation Method

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. All other repairs

ii. Depreciation

Depreciation is charged to the statement of comprehensive income on a monthly basis using the straight line method at rates calculated to write off the cost less residual value of each asset over the estimated useful life as follows:

Land	0%
Trees	0%
Buildings	1%
Office furniture and fittings	7.5%
Construction works	10%
Urban improvements (street furniture)	10%
Special projects	10%
Office equipment	20%
Motor vehicles	20%
Plant and machinery	20%
Computer equipment	25%
Plants	100%
Litter bin	Replacement Basis
Playground furniture	100%
Road and traffic signs	Upon completion
Street mirrors	Upon completion
Streetlights	100%

Gains and losses on the disposal or retirement of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount at the date of disposal. The gains or losses are recognised in the statement of comprehensive income as other operating income or other operating costs, respectively.

b) Inventories

Inventories are stated at the lower of cost and net realisable value. Stocks are determined by the weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

c) Leases

i. The Local Council is the lessee

The Local Council leases an office building used as its office. The rental lease contract is for a fixed period of more than one year. Current lease expires in year 2027. Lease terms contain a wide range of different terms and conditions. The lease agreement does not impose any covenants. Leased asset may not be used as security for borrowing purposes.

Lija Local Council

Notes to the Financial Statements

For the Year Ended 31 December 2023

2. Material Accounting Policies (continued)

c) Leases (continued)

i. The Local Council is the lessee (continued)

At inception of a contract, the Local Council shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

The Local Council depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Local Council also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Local Council measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Local Council's incremental borrowing rate because as the lease contracts are negotiated with third parties it is not possible to determine the interest rate that is implicit in the lease. The incremental borrowing rate is the estimated rate that the Local Council would have to pay to borrow the same amount over a similar term, and with similar security to obtain an asset of equivalent value. This rate is adjusted should the lessee entity have a different risk profile to that of the Local Council.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced by lease payments that are allocated between repayments of principal and finance costs. The finance cost is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

The lease liability is reassessed when there is a change in the lease payments. Changes in lease payments arising from a change in the lease term or a change in the assessment of an option to purchase a leased asset. The revised lease payments are discounted using the Local Council's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception being when the carrying amount of the right-of-use asset has been reduced to zero then any excess is recognised in profit or loss.

Payments under leases can also change when there is either a change in the amounts expected to be paid under residual value guarantees or when future payments change through an index or a rate used to determine those payments, including changes in market rental rates following a market rent review. The lease liability is remeasured only when the adjustment to lease payments takes effect and the revised contractual payments for the remainder of the lease term are discounted using an unchanged discount rate. Except for where the change in lease payments results from a change in floating interest rates, in which case the discount rate is amended to reflect the change in interest rates.

Lija Local Council

Notes to the Financial Statements

For the Year Ended 31 December 2023

2. Material Accounting Policies (continued)

d) Retained Earnings

Only surpluses that were realised at the date of the Statement of Financial Position are recognised in these financial statements. All foreseeable liabilities and potential deficits arising up to the said date are accounted for even if they become apparent between the said date and the date on which the financial statements are approved.

e) Revenue Recognition

i. Funds received from Central Government

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs

ii. Interest income

Revenue is recognised as interest accrues (using the effective interest method). Interest income is included in finance revenue in the statement of comprehensive income.

iii. Income raised from Local Enforcement System

These are commission income earned based on the value of contraventions paid at the Local Council. Revenue is recognised upon receipt of contraventions by the Local Council.

iv. General Income

These are income received from the issuance of permits by the Local Council. Revenue is recognised upon issuance of permits.

f) Expenditures

Expenditures except personal emoluments are recognised in the statement of comprehensive income upon utilisation of the service or at the date of their origin.

g) Personal Emoluments

Contributions toward the state pension in accordance with local legislation are recognised in the statement of comprehensive income when they are due.

h) Impairment

i. Non-financial assets

The carrying amount of the Local Council's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Financial Statements

For the Year Ended 31 December 2023

2. Material Accounting Policies (continued)

i) Financial Instruments

i. 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 substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

ii. 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, other than those designated and effective as hedging instruments, are classified into one of the following categories:

- amortised cost
- fair value through profit or loss (FVTPL), or
- fair value through other comprehensive income (FVOCI).

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

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 revenue and expenses relating to financial assets that are recognised in the statement of comprehensive income are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

iii. 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 equivalent, receivables and other receivables fall into this category of financial instruments

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 FVTPL.

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.

Notes to the Financial Statements

For the Year Ended 31 December 2023

2. Material Accounting Policies (continued)

j. Financial Instruments (continued)

iii. Subsequent measurement of financial assets (continued)

Impairment of financial assets

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

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 (ie Stage 1) while 'lifetime expected credit losses' are recognised for the second category (ie Stage 2).

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

iv. Receivables

The Local Council makes use of a simplified approach in accounting for receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Local Council uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Local Council assesses impairment of receivables on a collective basis as they possess shared credit risk characteristics, they have been grouped based on the days past due

v. Classification and measurement of financial liabilities

The Local Council's financial liabilities include payables, accruals and lease liabilities. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Local Council designated a financial liability at FVTPL.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the statement of comprehensive income are included within finance costs or finance income.

k) Capital and operating grants

Government grants relating to operating expenditure are recognised in the profit or loss in the same period that the related expenditure is incurred.

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

Lija Local Council

Notes to the Financial Statements

For the Year Ended 31 December 2023

2. Material Accounting Policies (continued)

k) Capital and operating grants (continued)

Government grants received during the year for future construction of property, plant and equipment and operating expenditures are presented in the statement of financial position as deferred income. The costs related to the construction of property, plant and equipment which were paid with these grants are shown as Assets under Construction.

3. Funds received from Central Government

	2023	2022
	€	€
In terms of Section 55 of the Local Council Act (Cap 363)	322,365	316,976
Other government income	63,722	129,788
	386,087	446,764

4. Income raised from Local Enforcement System

	2023	2022
	€	€
Regional Committee LESA - Administration Fees	1,486	2,166

5. General Income

	2023	2022
	€	€
Income from permits	10,425	10,934
Other income	3,556	8,324
	13,981	19,258

6. Personnel Emoluments

	2023	2022
	€	€
Mayor's allowances	11,751	10,743
Councillors' allowances	10,250	13,000
Executive secretary salary and allowances	33,699	45,240
Employees' salaries	53,308	42,117
Social security contributions	6,872	6,439
	115,880	117,539

Contributions toward the state pension in accordance with local legislation are recognised in statement of comprehensive income when they are due.

Average number of employees

The average number of persons employed by the Local Council during the year was as follows:

	2023	2022
Employees	4	4
Mayor & Councillors	5	5
Total	9	9

Lija Local Council

Notes to the Financial Statements

For the Year Ended 31 December 2023

7. Operations and maintenance

	2023	2022
	€	€
Repairs and upkeep:		
Road and street pavements	3,875	52,457
Signs and road markings	2,355	2,915
Other repairs and upkeep	44,110	40,397
	<u>50,340</u>	<u>95,769</u>
Contractual services:		
Refuse collection	41,436	71,746
Bulky refuse collection	7,674	6,834
Road and street cleaning	23,431	23,460
Cleaning and maintenance of public convenience	7,139	7,694
Cleaning and maintenance of parks and gardens	8,009	7,847
Streetlights	5,621	5,418
Other	2,679	1,176
	<u>95,989</u>	<u>124,175</u>
	<u>146,329</u>	<u>219,944</u>

8. Administration and other expenditure

	2023	2022
	€	€
Utilities	2,602	4,769
Rent payable	1,334	9,765
Office services	10,289	4,727
Travel	2,150	3,509
Publications and advertising	308	2,650
Professional services	33,198	28,841
Community services and events	36,760	20,183
Bank interest and charges	988	684
Depreciation	26,122	19,904
Insurance	2,506	2,424
Other expenses	1,518	435
	<u>117,775</u>	<u>97,891</u>

9. Finance cost

	2023	2022
	€	€
Lease interest cost	1,879	2,445

Lija Local Council

Notes to the Financial Statements

For the Year Ended 31 December 2023

10. Property, plant and equipment

31 December 2023

Cost	Office furniture & Fittings €	Plant & Machinery €	Office equipment €	Urban development and special projects €	New street signs, lanterns & lights €	Construction works €	Motor vehicles €	Computer equipment €	Right of use Asset - Property €	Total €
As at 1 January 2023	27,606	8,262	45,125	300,850	57,251	785,366	12,350	3,641	62,734	1,303,185
Additions	1,099	-	8,260	305,557	12,191	-	41,065	-	-	368,172
As at 31 December 2023	28,705	8,262	53,385	606,407	69,442	785,366	53,415	3,641	62,734	1,671,357
Grants										
As at 1 January 2023	8,865	3,950	6,665	136,131	22,252	175,045	-	-	-	352,908
Additions	-	-	8,260	276,698	12,191	-	24,800	-	-	321,949
As at 31 December 2023	8,865	3,950	14,925	412,829	34,443	175,045	24,800	-	-	674,857
Depreciation										
As at 1 January 2023	17,353	4,115	36,730	136,483	34,999	610,321	4,803	2,797	12,547	860,148
Charge for the year	224	65	552	6,401	0	0	5,490	844	12,547	26,123
As at 31 December 2023	17,577	4,180	37,282	142,884	34,999	610,321	10,293	3,641	25,094	886,271
Net Book Value										
At 31 December 2023	2,263	132	1,178	50,694	-	-	18,322	-	37,640	110,229

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Lija Local Council

Notes to the Financial Statements

For the Year Ended 31 December 2023

31 December 2022										
	Office furniture & Fittings	Plant & Machinery	Office equipment	Urban development signs, lanterns & special projects	New street & lights	Construction works	Motor vehicles	Computer equipment	Right of use Asset - Property	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
As at 1 January 2022	18,741	8,262	41,917	226,927	57,251	785,366	3,500	3,641	-	1,145,605
Additions	8,865	-	3,208	73,923	-	-	8,850	-	62,734	157,580
As at 31 December 2022	27,606	8,262	45,125	300,850	57,251	785,366	12,350	3,641	62,734	1,303,185
Grants										
As at 1 January 2022	-	3,950	4,944	90,256	22,252	175,045	-	-	-	296,447
Additions	8,865	-	1,721	45,875	-	-	-	-	-	56,461
As at 31 December 2022	8,865	3,950	6,665	136,131	22,252	175,045	-	-	-	352,908
Depreciation										
As at 1 January 2022	17,211	4,051	36,177	133,265	34,999	610,321	2,333	1,887	-	840,244
Charge for the year	142	64	553	3,218	-	-	2,470	910	12,547	19,904
As at 31 December 2022	17,353	4,115	36,730	136,483	34,999	610,321	4,803	2,797	12,547	860,148
Net Book Value										
At 31 December 2022	1,388	197	1,730	28,236	-	-	7,547	844	50,187	90,129

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Lija Local Council

Notes to the Financial Statements

For the Year Ended 31 December 2023

11. Trade and other receivables

	2023	2022
	€	€
Receivables	8,379	22,936
Prepayments	6,621	2,398
Accrued income	33,079	18,650
Advance payments	-	4,000
	48,079	47,984
Analysis of trade receivables		
Within the credit period	1,028	7,952
Exceeded credit period but not yet impaired	7,351	14,984
	8,379	22,936

Receivables are stated net of provision for doubtful debts of Eur1,893 (2022: Eur1,893).

12. Cash and cash equivalents

Cash and cash equivalents consist of cash and balances with banks. Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the statement of financial position.

	2023	2022
	€	€
Current accounts	6,898	5,734
Savings accounts	321,949	322,259
Cash in hand	132	142
	328,979	328,135
Transfer to payables	-	803
	328,979	328,938

13. Deferred income

	2023	2022
	€	€
Opening balance	51,314	83,906
Allocations of funds	205,098	28,303
Release of funds	(212,443)	(60,895)
Closing balance	43,969	51,314

Lija Local Council

Notes to the Financial Statements

For the Year Ended 31 December 2023

14. Trade and other payables

	2023	2022
	€	€
Current liabilities		
Overdrawn bank balance	-	803
Accounts payable	41,523	31,761
Accruals	27,345	16,493
Lease liabilities – current portion	13,800	13,800
	82,668	62,857
Non - Current liabilities		
Lease liabilities – non-current portion	25,660	37,581
	108,328	100,438

Lease liabilities refer to the lease of the premises provided to the Council from where it operates, which lease expires on 1 May 2027.

15. Capital commitments

There were no capital commitments as at 31 December 2023.

16. Related party transactions

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

Name of entity	Nature of relationship
Department of Local Councils	Significant control
Regional Committees (Local Enforcement)	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control
Enemalta Corporation / ARMS	No control


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

	2023	2022
	€	€
Annual financial allocation	322,365	316,976

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

Key management compensation

Transactions with key management personnel are disclosed in note 6. The Council considers its Mayor, Councillors, and the Executive Secretary to be key management personnel. Remuneration paid to its key management personnel amounted to Eur55,700 (2022: Eur68,983) during year ended 31 December 2023.

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Lija Local Council

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2023

17. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Council's activities expose it 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 flow by minimising exposure to financial risks.

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

17.1 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:

		2023	2022
		€	€
Classes of financial assets — carrying amounts			
Trade and other receivables	Note 11	8,379	22,936
Cash and cash equivalents	Note 12	328,979	328,938
		337,358	351,874

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 only with 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.

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.

17.2 Liquidity Risk

The Council's trade and other payables 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 manages 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 the matching of cash inflows and outflows arising from expected maturities of financial instruments.

	2023	2022
	€	€
Current liabilities		
Financial liabilities measured at amortised cost		
Accounts payable	41,523	31,761
Bank overdrawn	-	803
Lease liabilities	13,800	13,800
Accruals	27,345	16,493
	82,668	62,857
Non-current liabilities		
Financial liabilities measured at amortised cost		
Lease liabilities	25,660	37,581

Lija Local Council

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2023

17. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

17.2 Liquidity Risk (continued)

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

	Current Within 1 year	Non- Current 1-5 Years	Later than 5 Years
31 December 2023			
Accounts payable	41,523	-	-
Lease liabilities - current	13,800	-	-
Accruals	27,345	-	-
		-	
Lease liabilities – non-current		<u>25,660</u>	

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

	Current Within 1 year	Non- Current 1-5 Years	Later than 5 Years
31 December 2022			
Accounts payable	31,761	-	-
Bank overdrawn	803	-	-
Lease liabilities - current	13,800	-	-
Accruals	16,493	-	-
		-	
Lease liabilities – non-current		<u>37,581</u>	

17.3 Interest Rate Risk

The Council has no significant interest-bearing assets other than cash and cash equivalent (Note 12), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. The Council monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, the Council 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.

17.4 Foreign Currency Risk

The Council is not exposed to foreign exchange risk since it does not transact in foreign currencies.

Lija Local Council

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2023

17. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

17.5 Summary of financial assets and liabilities by category

The carrying amount of the Council's financial assets and liabilities as recognised at the reporting dates under review are categorised as follows:

	2023	2022
	€	€
Current assets		
Trade and other receivables	8,379	22,936
Cash and cash equivalents	328,979	328,938
	337,358	351,874
Current liabilities		
Accounts payable	41,523	31,761
Bank overdrawn	-	803
Lease liabilities - current	13,800	13,800
Accruals	27,345	16,493
	82,668	62,857
Non-current liabilities		
Lease liabilities – non-current	25,660	37,581

17.6 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 reserves, 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.

18. Fair Value Estimation

As at 31 December 2023 and 31 December 2022, the carrying amounts of cash at bank, 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.

19. Events After the End of the Reporting Period

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

20. Contingent Liabilities

As at year-end the Council had contingent liabilities in respect of the following claim against it.

Mallia Joseph noe v Magri Naudi Madga noe et: This claim is for Eur18,486. Originally this claim was between Ms Annalise Cilia and the insurance company, whereby the insurance company paid Ms Annalise Cilia for damages caused to furniture and home appliances amounting to Eur17,161, plus Eur1,325 as survey fees. Subsequently, the insurance company opened this claim against the Mayor as representative of the Lija Local Council. Mr Joseph Mallia is acting as representative of the insurance company - Lloyds Malta Ltd.

The case was adjudicated against the defendants and the Local Council's share for payment is Eur6,162. An appeal has been filed and court sittings are still ongoing, and a provision has been recognized.