

# **San Gwann Local Council**

Report and Financial Statements

For the year ended 31 December 2023

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**Financial Statements for the year ended 31 December 2023**

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

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of comprehensive income of the Local Council's for the year and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local 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 Council on 21 October 2024 and signed on its behalf by:

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Mr. Dominic Cassar  
Mayor

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Mr. Kurt Guillaumier  
Executive Secretary

## Statement of Comprehensive Income for the year ended 31 December 2023

	Notes	2023 Euro	2022 Euro
<b>Income</b>			
Funds received from Central Government	4	999,176	1,159,214
Income raised under Local Enforcement System (LES)	5	18,111	17,010
Other income	6	54,362	52,881
		<u>1,071,649</u>	<u>1,229,105</u>
<b>Expenditure</b>			
Personnel emoluments	7	(224,034)	(243,722)
Operations and maintenance	8	(620,902)	(816,730)
Administration and other expenditure	9	(270,021)	(352,111)
Finance costs	10	(38)	(56)
		<u>(1,114,995)</u>	<u>(1,412,619)</u>
<b>Deficit for the year</b>		<u><b>(43,346)</b></u>	<u><b>(183,514)</b></u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

## Statement of Financial Position as at 31 December 2023

	Notes	2023 Euro	2022 Euro
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant and equipment	11	732,445	471,917
Right-of-use asset	12	452	903
Total non-current assets		<u>732,897</u>	<u>472,820</u>
<i>Current assets</i>			
Receivables	13	229,522	107,324
Cash and cash equivalents	14	359,936	592,554
Total current assets		<u>589,458</u>	<u>699,878</u>
<b>Total Assets</b>		<u><u>1,322,355</u></u>	<u><u>1,172,698</u></u>
<b>Reserves and Liabilities</b>			
<i>Reserves</i>			
Retained earnings		<u>696,697</u>	<u>740,043</u>
		<u>696,697</u>	<u>740,043</u>
<i>Non-current liabilities</i>			
Lease liability	16	-	470
Deferred income	17	185,936	185,936
Total non-current liabilities		<u>185,936</u>	<u>186,406</u>
<i>Current liabilities</i>			
Trade and other payables	15	164,620	158,935
Lease liability	16	470	451
Deferred income	17	274,632	86,863
Total current liabilities		<u>439,722</u>	<u>246,249</u>
Total liabilities		<u>625,658</u>	<u>432,655</u>
<b>Total Equity and Liabilities</b>		<u><u>1,322,355</u></u>	<u><u>1,172,698</u></u>

The above statement of financial position should be read in conjunction with the accompanying notes.

The financial statements were presented to and approved by the Council on the 21 October 2024 and were signed on its behalf by:

\_\_\_\_\_  
Mr. Dominic Cassar  
Mayor

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Mr. Kurt Guillaumier  
Executive Secretary

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

	<b>Retained earnings</b>
	<b>Euro</b>
<b>Balance as at 1 January 2022</b>	923,557
Deficit for the year	<u>(183,514)</u>
<b>Balance at 31 December 2022</b>	<u><u>740,043</u></u>
<b>Balance as at 1 January 2023</b>	740,043
Deficit for the year	<u>(43,346)</u>
<b>Balance at 31 December 2023</b>	<u><u>696,697</u></u>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

## Statement of Cash Flows for the year ended 31 December 2023

		2023 Euro	2022 Euro
	Notes		
<b>Cash flows used in operating activities</b>			
Deficit for the year		(43,346)	(183,514)
Adjustments for:			
Depreciation	11, 12	41,240	38,439
Interest expense on lease liability	10	38	56
		<u>(2,068)</u>	<u>(145,019)</u>
Movement in payables		5,685	12,482
Movement in receivables		<u>(122,199)</u>	<u>(32,070)</u>
<i>Net cash used in operating activities</i>		<u>(118,582)</u>	<u>(164,607)</u>
<b>Cash flows used in investing activities</b>			
Purchase of property, plant and equipment	11	(301,317)	(154,281)
Grants received		<u>187,769</u>	<u>60,075</u>
<i>Net cash used in investing activities</i>		<u>(113,548)</u>	<u>(94,206)</u>
<b>Cash flows used in financing activities</b>			
Lease payments		<u>(488)</u>	<u>(488)</u>
<i>Net cash used in financing activities</i>		<u>(488)</u>	<u>(488)</u>
<b>Movement in cash and cash equivalents</b>		<b>(232,618)</b>	<b>(259,301)</b>
Cash and cash equivalents at beginning of year		<u>592,554</u>	<u>851,855</u>
<b>Cash and cash equivalents at end of year</b>	14	<u><b>359,936</b></u>	<u><b>592,554</b></u>

The above statement of cashflows should be read in conjunction with the accompanying notes.

**Notes to the Financial Statements for the year ended 31 December 2023****1. General information**

San Gwann Local Council is a local government set up by the Local Councils Act, 1993. The office of the council is situated at 55, R.Caruana Dingli Street, San Gwann. The local council's presentation as well as the functional currency are denominated in Euro. The financial statements were authorised for issue by the council on the 20 May 2024.

**2. Reporting procedures**

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

**Accounting convention**

These financial statements 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).

These financial statements are prepared under the historical cost convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act (Cap 363), the Financial Regulations issued in terms of this act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

**Going concern**

The financial statements and notes thereto, with special reference to capital commitments, suggest that the going concern assumption used in the presentation of these financial statements is dependent on further sources of funds other than the annual fund 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 council able to meet its financial obligations as they fall due without curtailing its future commitments.

**Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the local council operates ("the functional currency"). The financial statements are presented in euro, which is both the functional and presentation currency of the local council. Balances are rounded to the nearest euro, unless otherwise stated.

**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 Council's financial results or position.

**Notes to the Financial Statements for the year ended 31 December 2023 (continued)****2. Reporting procedures (continued)**

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

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)

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

**Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the 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 Council and no interpretations have been issued that are applicable and need to be taken into consideration by the Council.

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 Council's financial statements.

**3. Material accounting policies**

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

Management has concluded that the disclosure of the entity's material accounting policies below are appropriate.

**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 when earned.

**Right of use asset**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of

**Notes to the Financial Statements for the year ended 31 December 2023 (continued)****3. Material accounting policies (continued)**

inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Council expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Council has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

**Lease liabilities**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Council's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

**Property, plant and equipment**

Freehold land is not depreciated. Furniture and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives. In line with directive 1/2017 the council has adopted the straight-line method of depreciation as from 1 January 2018 instead of the previously used reducing balance method. The estimated useful lives, residual values and depreciation method are renewed at the end of each reporting year, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the statement of comprehensive income.

**Notes to the Financial Statements for the year ended 31 December 2023 (continued)****3. Material accounting policies (continued)**

Tangible fixed assets are stated at cost less accumulated depreciation and grants received for specific projects. Depreciation is calculated on a monthly basis using the straight line method at rates estimated to write down the cost of all tangible fixed assets, other than land and trees over their expected useful lives as follows:

	Rates in %
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
Playground furniture	100

**Receivables**

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Council will not be able to collect all amounts receivable.

**Payables**

Payable are recognised as an expense in the period in which they are incurred. Amounts payable comprise creditor payments, that is, the amounts payable for the procurement of supplies and services. When an invoice or request for payment is received from a supplier, this is checked to the purchase order previously issued or the service contract, before payment is released in favour of any vendor. All cheque payments are signed by the Mayor and Executive Secretary and then reconciled with the bank statements on a monthly basis.

**Government grants**

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

The Council adopts the capital approach of government grants as per IAS 20 - *Accounting for Government Grants and Disclosure of Government Assistance*. Under the capital approach, grants received are deducted from the respective asset's carrying account it was received for. This is shown as a separate line item in the property, plant and equipment schedule.

**Notes to the Financial Statements for the year ended 31 December 2023 (continued)****3. Material accounting policies (continued)****Foreign currencies**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Local Council operates. These financial statements are presented in Euro which is the Council's functional and presentation currency.

**Surplus and deficit**

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.

**Cash and cash equivalents**

Cash and cash equivalents are carried in the Statement of Financial Position at face value. For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash in hand and balances held with banks.

**Related parties**

Related parties are those persons or bodies of persons having relationships with the council as defined in IAS 24 - *Related Party Disclosures*. During the year under review, the Local Council's related party that exercises a significant control was the Department for Local Government.

**Critical accounting estimates and judgements**

The preparation of financial statements in conformity with IFRS as adopted by the EU, requires council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis, revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years. In the opinion of the council members, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

**Capital management policies**

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

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

To achieve the above, the Council carries out a quarterly review of the working capital ratio by means of a Financial Situation Indicator. This ratio was positive as at 31 December 2023 and has

**Notes to the Financial Statements for the year ended 31 December 2023 (continued)****3. Material accounting policies (continued)**

not had significant changes from the previous reporting year. The council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments towards the locality.

**Financial instruments***Recognition and derecognition*

Financial assets and financial liabilities are recognised when the 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 expired.

*Classification and initial measurement of financial assets*

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15 - *Revenue from Contracts with Customers*, 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 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 Council does not have any financial assets categorised as FVPTL 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.

*Subsequent measurement of financial assets*

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 Council's cash and cash equivalents and receivables (excluding prepayments) fall into this category of financial instruments.

**Notes to the Financial Statements for the year ended 31 December 2023 (continued)****3. Material accounting policies (continued)****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'. This replaces IAS 39's 'incurred loss 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 Council's first identifying a credit loss event. Instead the 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.

*Classification and measurement of financial liabilities*

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Council's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Council's financial liabilities include payables and lease liabilities.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the 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).

## Notes to the Financial Statements for the year ended 31 December 2023 (continued)

## 3. Material accounting policies (continued)

## Financial instruments (continued)

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in statement of comprehensive income are included within finance costs or finance income.

	<b>2023</b>	<b>2022</b>
	<b>Euro</b>	<b>Euro</b>
<b>4. Funds received from Central Government</b>		
In terms of section 55 of the Local Councils Act (Cap 363)	<b>944,188</b>	934,488
Other Government Income	<b>54,988</b>	224,726
	<b><u>999,176</u></b>	<u>1,159,214</u>
	<b>2023</b>	<b>2022</b>
	<b>Euro</b>	<b>Euro</b>
<b>5. Local Enforcement income</b>		
Regional committees/Admin fees/LESA	<b>18,111</b>	17,010
	<b>2023</b>	<b>2022</b>
	<b>Euro</b>	<b>Euro</b>
<b>6. Other Income</b>		
Other general income	<b>54,362</b>	52,881
	<b>2023</b>	<b>2022</b>
	<b>Euro</b>	<b>Euro</b>
<b>7. Personnel emoluments</b>		
Mayor's honoraria	<b>16,003</b>	15,516
Executive Secretary's salary and allowances	<b>41,844</b>	52,592
Employees' salaries	<b>129,653</b>	138,597
Councillors and Mayor's Allowances	<b>22,550</b>	22,600
Social security contributions	<b>13,984</b>	14,417
	<b><u>224,034</u></b>	<u>243,722</u>

## Notes to the Financial Statements for the year ended 31 December 2023 (continued)

	2023	2022
	Euro	Euro
<b>8. Operations and maintenance</b>		
<b>Repairs and upkeep:</b>		
Road and street pavements (Patching works)	21,014	102,429
Street signs	4,740	2,553
Road markings	418	4,715
	<u>26,172</u>	<u>109,697</u>
<b>Contractual services:</b>		
Refuse collection (including bins on wheels)	246,915	400,510
Bulky refuse collection (including open skips)	43,386	48,600
Road and street cleaning (mechanical and manual)	129,675	127,864
Cleaning and maintenance of public convenience	16,511	17,860
Cleaning and maintenance of parks and gardens	78,418	85,188
Street lighting	78,834	26,707
Local enforcement expenses	991	304
	<u>594,730</u>	<u>707,033</u>
	<u><b>620,902</b></u>	<u><b>816,730</b></u>
	2023	2022
	Euro	Euro
<b>9. Administration and other expenditure</b>		
Utilities	7,640	7,062
Rent	9,539	9,539
Other repairs and upkeep	18,870	25,123
Office services	2,934	3,622
Travel	50	2,008
Transport	15,506	16,628
Information services	5,435	3,546
Other contractual services	7,805	7,199
Professional services	11,524	39,093
Community and hospitality	13,466	14,374
Social events	121,301	139,048
Cultural events	16,599	31,729
Depreciation	41,240	38,439
Bad debts (reversal)/written off	(1,888)	14,701
	<u>270,021</u>	<u>352,111</u>
	2023	2022
	Euro	Euro
<b>10. Finance costs</b>		
Lease interest	<u>38</u>	<u>56</u>

## Notes to the Financial Statements for the year ended 31 December 2023 (continued)

## 11. Property, plant and equipment

	Property	Construction	Office furniture & fittings	New street signs	Office equipment	Computer equipment	Urban improvements	Trees & plants	Equipment for the community	Asset under construction	Total
	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
<b>Cost</b>											
As at 1 January 2023	246,865	1,158,816	41,924	33,389	74,546	50,117	507,010	18,281	-	35,618	2,166,566
Additions	-	10,785	-	-	1,750	-	25,907	-	2,242	260,633	301,317
As at 31 December 2023	246,865	1,169,601	41,924	33,389	76,296	50,117	532,917	18,281	2,242	296,251	2,467,883
<b>Grants and other reimbursements</b>											
As at 1 January 2023	-	(375,404)	-	-	(3,688)	-	(155,980)	(18,281)	-	-	(553,353)
Additions	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2023	-	(375,404)	-	-	(3,688)	-	(155,980)	(18,281)	-	-	(553,353)
<b>Depreciation</b>											
As at 1 January 2023	(53,323)	(740,961)	(41,792)	(33,389)	(67,086)	(48,722)	(156,023)	-	-	-	(1,141,296)
Charges for the year	(2,468)	(6,341)	(14)	-	(1,977)	(1,062)	(28,366)	-	(561)	-	(40,789)
As at 31 December 2023	(55,791)	(747,302)	(41,806)	(33,389)	(69,063)	(49,784)	(184,389)	-	(561)	-	(1,182,085)
<b>Net book value</b>											
As at 31 December 2023	191,074	46,895	118	-	3,545	333	192,548	-	1,681	296,251	732,445

## Notes to the Financial Statements for the year ended 31 December 2023 (continued)

## 11. Property, plant and equipment (continued)

	Property	Construction	Office furniture & fittings	New street signs	Office equipment	Computer equipment	Urban improvements	Trees & plants	Asset under construction	Total
	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
<b>Cost</b>										
As at 1 January 2022	246,865	1,145,564	41,924	33,389	74,333	50,117	351,880	18,281	35,618	1,997,971
Additions	-	13,252	-	-	213	-	155,130	-	-	168,595
As at 31 December 2022	246,865	1,158,816	41,924	33,389	74,546	50,117	507,010	18,281	35,618	2,166,566
<b>Grants and other reimbursements</b>										
As at 1 January 2022	-	(375,404)	-	-	(3,688)	-	(127,353)	(18,281)	-	(524,726)
Additions	-	-	-	-	-	-	(28,627)	-	-	(28,627)
As at 31 December 2022	-	(375,404)	-	-	(3,688)	-	(155,980)	(18,281)	-	(553,353)
<b>Depreciation</b>										
As at 1 January 2022	(50,855)	(735,699)	(40,739)	(33,389)	(65,392)	(46,987)	(130,247)	-	-	(1,103,308)
Charges for the year	(2,468)	(5,262)	(1,053)	-	(1,694)	(1,735)	(25,776)	-	-	(37,988)
As at 31 December 2022	(53,323)	(740,961)	(41,792)	(33,389)	(67,086)	(48,722)	(156,023)	-	-	(1,141,296)
<b>Net book value</b>										
As at 31 December 2022	<b>193,542</b>	<b>42,451</b>	<b>132</b>	<b>-</b>	<b>3,772</b>	<b>1,395</b>	<b>195,007</b>	<b>-</b>	<b>35,618</b>	<b>471,917</b>

## Notes to the Financial Statements for the year ended 31 December 2023 (continued)

<b>12. Right-of-use asset</b>	<b>2023</b>	<b>2022</b>
	<b>Euro</b>	<b>Euro</b>
<b>Cost</b>		
As at 1 January	2,335	981
Additions	-	1,354
As at 31 December	<u>2,335</u>	<u>2,335</u>
<b>Grants and other reimbursements</b>		
As at 1 January	-	-
Additions	-	-
As at 31 December	<u>-</u>	<u>-</u>
<b>Depreciation</b>		
As at 1 January	(1,432)	(981)
Charges for the year	(451)	(451)
As at 31 December	<u>(1,883)</u>	<u>(1,432)</u>
<b>Net book value</b>		
As at 31 December	<u><b>452</b></u>	<u><b>903</b></u>

<b>13. Receivables</b>	<b>2023</b>	<b>2022</b>
	<b>Euro</b>	<b>Euro</b>
Trade receivables	<b>94,353</b>	70,059
Accrued income	<b>125,401</b>	28,692
Financial assets	<b>219,754</b>	98,751
Prepayments	<b>9,768</b>	8,573
	<u><b>229,522</b></u>	<u>107,324</u>

Trade receivables are unsecured and interest free.

	<b>2023</b>	<b>2022</b>
	<b>Euro</b>	<b>Euro</b>
Within credit period	<b>94,353</b>	70,059
Exceeded credit period but not impaired	-	-
Provision for doubtful debts	-	-
	<u><b>94,353</b></u>	<u>70,059</u>

**Notes to the Financial Statements for the year ended 31 December 2023 (continued)****14. Cash and cash equivalents**

Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the Local Council Statement of Financial Position:

	<b>2023</b>	<b>2022</b>
	<b>Euro</b>	<b>Euro</b>
Bank balances: Ordinary funds	<b>355,874</b>	590,026
Cash in Hand	<b>4,062</b>	2,528
	<b><u>359,936</u></b>	<u>592,554</u>

	<b>2023</b>	<b>2022</b>
	<b>Euro</b>	<b>Euro</b>
<b>15. Trade and other payables</b>		
Trade payables	<b>83,246</b>	99,190
Accruals	<b>70,372</b>	37,180
Other payables	<b>11,002</b>	22,565
	<b><u>164,620</u></b>	<u>158,935</u>

	<b>2023</b>	<b>2022</b>
	<b>Euro</b>	<b>Euro</b>
<b>16. Lease liability</b>		
Payables in the next 12 months	<b>470</b>	451
Payable over 12 months	<b>-</b>	470
	<b><u>470</u></b>	<u>921</u>

Lease liability refers to the lease of the Flour Mill and Cart Ruts that have been leased out to the San Gwann Local Council. It is a 3-year renewable lease that began on 21st February 2000. The council intends to renew this lease continuously. It was renewed on 21st February 2022.

All works and repairs are a sole responsibility of the council. The rent of 100 Maltese Liri is payable yearly in advance for Flour Mill and Cart Ruts respectively.

The lease is not short term as it started in the year 2000 and is not of low value therefore the exemptions under IFRS 16 cannot be recognized in this case. Lease commitments discount is based on weighted average incremental borrowing rate of 4.15% per annum.

In case of termination, the property needs to be surrendered with its decorative structures and fixtures in place.

## Notes to the Financial Statements for the year ended 31 December 2023 (continued)

	<b>2023</b>	<b>2022</b>
	<b>Euro</b>	<b>Euro</b>
<b>17. Deferred income</b>		
Balance at the beginning of the year	<b>272,799</b>	227,037
Funds allocated to the Council	<b>187,769</b>	60,075
Released to income	-	-
Capitalised	-	(14,313)
Balance at the end of the year	<b><u>460,568</u></b>	<b><u>272,799</u></b>
Short - term deferred income	<b>274,632</b>	86,863
Long – term deferred income	<b><u>185,936</u></b>	<u>185,936</u>
	<b><u>460,568</u></b>	<b><u>272,799</u></b>

**18. Post balance sheet events**

There were no particular important events affecting the operation of the council since the end of the accounting year.

**19. Financial risk management**

Financial assets include receivables (except prepayments) and cash held at bank and in hand. Financial liabilities include payables and lease liabilities.

The Council is exposed to a variety of financial risks: market risk, credit risk and liquidity risk. The Council's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance. The Council adopts an overall risk management to maintain and control its exposures.

*i) Market risk - Cash flow and fair value interest rate risk*

As the Council has neither interest-bearing assets nor interest-bearing liabilities, the Council's income, expenditure, and operating cash flows are independent of charges in market interest rates.

*ii) Credit Risk*

Credit risk on amounts receivable is limited through the systematic monitoring of outstanding balances and the presentation of debtors' net of allowances for doubtful debts, where applicable. Cash is placed with reputable banks.

Credit risk arises over increasing variances between the main council's income, that provided by Central Government, and the cost of its outsourced services which are mostly exposed to commodity risks. Furthermore, the huge reduction of other revenue from LES and Permits could well expose the Council even more to credit issues unless this shortfall is recovered from other sources.

The maximum exposure to credit risk at the reporting date in respect of the financial assets mentioned above is disclosed in the respective notes to the financial statements.

## Notes to the Financial Statements for the year ended 31 December 2023 (continued)

## 19. Financial risk management (continued)

	Notes	2023 Euro	2022 Euro
<b>Classes of Financial Assets – Carrying amounts</b>			
Receivables (excluding prepayments)	13	219,754	98,751
Bank balances	14	355,874	590,026
		<u>575,628</u>	<u>688,777</u>

*iii) Fair values*

As at 31 December 2023 and 2022, the carrying amounts of financial assets and liabilities were not materially different from the fair value due to short term in nature.

*iv) Liquidity risk*

The council monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve-month year and ensures that no additional financing facilities are expected to be required over the coming year.

At 31 December, the council's financial liabilities have contractual maturities summarised below:

**31 December 2023**

	Current	Non-current	
	Within 1 Year Euro	1 to 5 years Euro	Later than 5 years Euro
Trade payables	83,246	-	-
Accruals	70,372	-	-
Lease liability	470	-	-
Other payables	11,002	-	-
	<u>165,090</u>	-	-

## Notes to the Financial Statements for the year ended 31 December 2023 (continued)

## 19. Financial risk management (continued)

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

## 31 December 2022

	Current	Non-current	
	Within 1 Year	1 to 5 years	Later than 5 years
	Euro	Euro	Euro
Trade Payables	99,190	-	-
Accruals	37,180	-	-
Lease liability	451	470	-
Other payables	22,565	-	-
	<u>159,386</u>	<u>470</u>	<u>-</u>

## Summary of financial assets and liabilities

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

	2023	2022
	Euro	Euro
<b>Assets</b>		
<b>Financial assets at amortised cost</b>		
Receivables (excluding prepayments)	219,754	98,751
Cash and cash equivalents	<u>359,936</u>	<u>592,554</u>
	<u>579,690</u>	<u>691,305</u>
	2023	2022
	Euro	Euro
<b>Liabilities</b>		
<b>Financial liabilities at amortised cost</b>		
Trade payables	83,246	99,190
Accruals	70,372	37,180
Lease liability - current	470	451
Lease liability - non-current	-	470
Other payables	<u>11,002</u>	<u>22,565</u>
	<u>165,090</u>	<u>159,856</u>

As at year end the Council has as cash and cash equivalents the amount of EUR 359,936 (2022: EUR 592,554). The council also maintains a positive working capital of EUR 149,736 (2022: EUR 453,629) ensuring that adequate funds are available to cover present liabilities as well as short term obligations and commitments arising.

**Notes to the Financial Statements for the year ended 31 December 2023 (continued)****20. Capital commitments**

The San Gwann Local Council has earmarked below projects for the upcoming year:

- Completion of a public garden in Triq Il-Kampanella
- Completion of a pollinator garden in Tal-Propostru
- Cart Ruts project

The Council applied and recouped funds for these projects, however if the funds are not approved then the Council will use its accumulated funds.

**21. Related party transactions**

All the Authorities set up by Central Government and all the entities which are owned by Central Government are considered to be related parties to the San Gwann Local Council.

The San Gwann Local Council has the following related parties exercising:

Significant Control – as per Local Councils Act 1993, Department for Local Government is the major and ultimate controlling related party.

Joint control – North Joint Committee for Local enforcement, North Regional Committee

No Control – Water Services corporation, Automated Revenue Management Services, Waste Management Service

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

**Transactions with related parties**

	<b>2023</b>	<b>2022</b>
	<b>Euro</b>	<b>Euro</b>
Annual financial allocation	<b>944,188</b>	934,488
LES	<b>18,111</b>	17,010

**Key management personnel remuneration**

Executive Secretary	<b>41,844</b>	52,592
Mayor Honoraria	<b>16,003</b>	15,516
Mayor and Councillor's Allowance	<b>22,550</b>	22,600