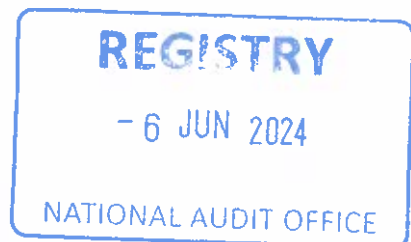


VALLETTA LOCAL COUNCIL
FINANCIAL STATEMENTS
For the year ended 31 December 2022

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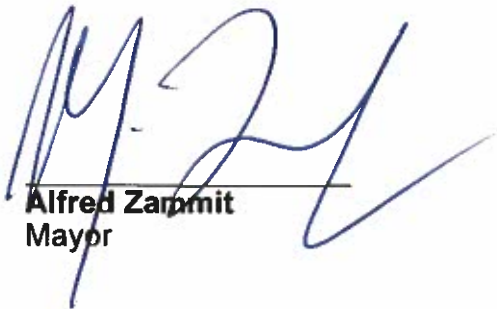
VALLETTA LOCAL COUNCIL

STATEMENT OF LOCAL COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S RESPONSIBILITIES

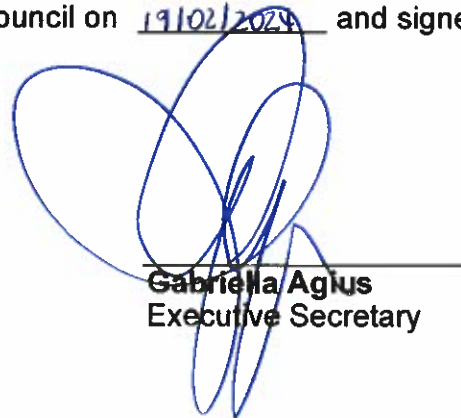
The Local Government (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's Statement of Comprehensive Income for the year, and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Government (Financial) Regulations, and the Local Government (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 Government Act, the Local Government (Financial) Regulations, and the Local Government (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 19/02/2024 and signed on its behalf by:



Alfred Zammit
Mayor



Gabriella Agius
Executive Secretary

VALLETTA LOCAL COUNCIL

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes:	2022 €	2021 €
Revenue			
Funds received from the Central Government	3	1,021,697	950,816
Income Raised under Local Enforcement System	4	7,762	8,597
General Income	5	372,362	365,861
		<u>1,401,821</u>	<u>1,325,274</u>
Expenditure			
Personnel Emoluments	6	(268,046)	(247,956)
Operations and maintenance	7	(865,866)	(787,973)
Administration and other expenditure	8	(177,333)	(161,538)
Depreciation and amortisation	9	(95,188)	(120,422)
		<u>(1,406,433)</u>	<u>(1,317,889)</u>
Operating (deficit)/surplus for the year		(4,612)	7,385
Other expenses	10	(137,515)	-
Total comprehensive (loss)/ profit for the year		<u>(142,127)</u>	<u>7,385</u>

VALLETTA LOCAL COUNCIL

STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 €	2021 €
Assets			
Non-current assets			
Property, plant and equipment	11	226,242	302,016
Intangible assets	12	1,732	3,293
		<u>227,974</u>	<u>305,309</u>
Current assets			
Receivables	13	53,197	93,333
Cash and cash equivalents	14	34,240	94,175
		<u>87,437</u>	<u>187,508</u>
Total assets		<u>315,411</u>	<u>492,817</u>
Reserves			
Accumulated losses		(176,566)	(34,439)
Current liabilities			
Trade and other payables	15	491,977	527,256
Total reserves and liabilities		<u>315,411</u>	<u>492,817</u>

These financial statements were approved by the Local Council on 19/02/2024 and signed on its behalf by:


Alfred Zammit
Mayor


Gabriella Agius
Executive Secretary

VALLETTA LOCAL COUNCIL

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Retained Funds €
At 1 January 2021	(41,824)
Total comprehensive income for the year	7,365
At 31 December 2021	<u>(34,439)</u>
At 1 January 2022	(34,439)
Total comprehensive income loss for the year	(142,127)
At 31 December 2022	<u>(176,566)</u>

VALLETTA LOCAL COUNCIL**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2022

	Note	2022 €	2021 €
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss)/profit for the year		(142,127)	7,385
Depreciation		92,665	113,707
Amortisation		2,523	6,715
Provision for bad debts		22,842	18,81
		<hr/>	<hr/>
OPERATING (LOSS)/PROFIT BEFORE WORKING CAPITAL CHANGES		(24,097)	146,678
Decrease in receivables		17,294	101,258
Decrease in payables		(111,805)	(140,483)
		<hr/>	<hr/>
Cash (used in)/generated from operating activities		(118,608)	107,559
		<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(29,903)	(323,544)
Purchase of intangible assets		(2,582)	(3,725)
Government grants received		40,166	277,763
		<hr/>	<hr/>
Cash generated from/(used in) investing activities		7,681	(49,506)
		<hr/>	<hr/>
Net movement in cash and cash equivalents		(110,927)	58,053
Cash and cash equivalents at beginning of year		93,770	35,717
		<hr/>	<hr/>
Cash and cash equivalents at end of year	14	(17,157)	93,770

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

1 GENERAL INFORMATION

The Valletta Local Council is the local authority of Malta set up in accordance with the Local Government Act (1993). The office of the Council is situated at 33-35, Treasury Street, Republic Valley, Valletta. These financial statements were approved for issue by the Council members on 19/02/2024. The Council's financial statements are presented in euro which is the functional currency of the Council.

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 except as disclosed below. These financial statements are prepared in accordance with the provisions of the Local Government Act Cap. 363, the Financial Regulations issued in terms of this Act and the Local Government (Financial) Procedures 1996 enacted in Malta and with the requirements of International Financial Reporting Standards as adopted by the European Union.

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 (Cap. 363).

(b) Standards, amendments and interpretations to existing standards

New and amended standards adopted by the Council

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.

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:

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

(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.

New standards and amendments not yet effective and not yet adopted by the Local Council

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

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

(b) Standards, amendments and interpretations to existing standards – continued

On 12 February 2021, the IASB issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2), 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.

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. The Local Council anticipates that the adoption of new standards, interpretations and amendments thereto, will not have a material impact on the financial statements upon initial application.

(c) Intangible fixed assets

Intangible assets are valued at cost less accumulated amortisation and impairment losses to date. Amortisation to write off the cost is calculated on a monthly basis using the straight line method at 25% per annum.

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses to date. Depreciation is calculated on a monthly basis using the straight line method at rates calculated to write down the cost less residual value of each asset over its expected useful life as follows:

	%
Land	-
Trees	-
Buildings	1
Office furniture and fittings	7.5
Construction works	10
Urban improvements (Street furniture)	10
Special projects	10
Office equipment	20
Motor vehicles	20
Plant and machinery	20
Computer equipment	25
Plants	100
Litter bins	replacement basis
Playground furniture	100
Road signs	replacement basis
Street mirrors	replacement basis
Street lights	100
Traffic signs	replacement basis

During 2018 the Local Council has changed the method of calculating depreciation as per Directive 1/2017. In previous years depreciation was calculated using the reducing balance method. There were no changes in the depreciation rates.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each financial reporting date. 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 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 period in which they are incurred.

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

(e) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs to sell and the value in use. Impairment losses are immediately recognised as an expense in the statement of comprehensive income.

(f) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(g) Amounts receivable

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

(h) Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24. See note 17 for a list of related parties with which the Council carried out transactions during the year under review.

(i) Revenue

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the statement of comprehensive income as it accrues.

Income from Central Government is not recognised until there is a reasonable assurance that the Council will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross and any deductions made therefrom are to be disclosed separately with expenses.

(j) LES income

LES income is accounted for in the statement of comprehensive income as it accrues.

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

(k) Government grants

Government grants are accounted for using the Capital Approach according to IAS 20 as the Council adopted Directive 1/2017 issued by the Department of Local Council. With the Capital Approach, any grants received are netted off against the cost of the asset to which they relate. Depreciation will be accounted on the resulting cost less grant. Up to year ended 31 December 2017, government grants were accounted for using the Income approach. This is a change in accounting policy and according to IAS 8 -Accounting Policies, Changes in Accounting Estimates and Errors, has been accounted for retrospectively.

Grants in relation to operation expenses are included as income in the Statement of Comprehensive Income.

(l) Profit and losses

Only profits that were realised at the date of the statement of financial position are recognised in these financial statements. All foreseeable liabilities and potential losses arising up to the said date are accounted for even if they become apparent between the said date and the date on which the financial statements are approved.

(m) Cash and cash equivalents

In the statement of financial position and the statement of cash flows, cash and cash equivalents comprise cash in hand and at bank.

(n) Financial instruments

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 risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs. They are measured subsequently as described below.

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

(n) Financial instruments (continued)

Financial assets

For the purpose of subsequent measurement, financial assets of the Council are classified into loans and receivables upon initial recognition.

Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to loans and receivables are presented within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administration and other expenditure'.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Council's other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

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'.

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

(o) Capital management policies and procedures

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 rate.

To achieve the above, the Council carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was negative at the reporting date and the Council is working to improve the situation. 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.

(p) Significant judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS 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 period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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).

3 FUNDS RECEIVED FROM CENTRAL GOVERNMENT

	2022	2021
	€	€
In terms of section 55 of the Local Council Act	948,739	932,739
Other supplementary Government Income	72,958	18,077
	<hr/>	<hr/>
	1,021,697	950,816
	<hr/>	<hr/>

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

4 LOCAL ENFORCEMENT INCOME

	2022	2021
	€	€
Administrative charges under LES system	7,762	8,597

5 GENERAL INCOME

	2022	2021
	€	€
CVA Income	-	15,750
Income from permits	225,098	181,939
Income from organic waste	147,264	145,376
Other income	-	22,796
	<u>372,362</u>	<u>365,861</u>

6 PERSONNEL EMOLUMENTS

	2022	2021
	€	€
Mayor's Allowance	15,270	15,269
Councillors' allowance	17,800	17,800
Executive secretary salary and allowance	48,146	37,163
Employees' salaries	169,339	161,569
Social Security Contributions	17,491	16,155
	<u>268,046</u>	<u>247,956</u>
Number of employees	10	8
Mayor	1	1
Councillors	6	6
	<u>17</u>	<u>15</u>
Average number of employees		

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

7 OPERATIONS AND MAINTENANCE

	2022	2021
	€	€
Repairs and upkeep:		
Signs	1,162	4,787
Road Markings	7,559	464
Road and steet repairs	43,164	30,334
	<hr/> 51,885	<hr/> 35,585
Contractual Services:		
Organic waste Refuse Collection	147,264	148,208
Recycling waste Refuse Collection	42,565	45,312
Mixed waste Refuse Collection	241,414	254,352
Bulky Refuse Collection	20,150	21,200
Tipping fees	82,247	40,474
Road and street cleaning	234,043	195,393
Cleaning – council premises	5,466	6,234
Cleaning and maintenance - parks & gardens	33,182	35,766
Street lighting	7,650	5,449
	<hr/> 813,981	<hr/> 752,388
Total operations and maintenance costs	<hr/> 865,866	<hr/> 787,973

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

8 ADMINISTRATION AND OTHER EXPENDITURE

	2022	2021
	€	€
Bank interest and charges	949	1,351
Cultural, conference and social events	19,725	16,944
Information Services	1,737	2,460
Insurance coverage	8,033	6,495
Office services	10,532	22,973
Professional services	16,400	15,582
Data protection officer	8,650	8,435
Information technology expenses	1,603	5,795
Accountancy services	9,087	5,971
Legal services	11,510	8,754
Security services	4,999	4,509
Rent	9,081	10,883
Sundry expenses	3,034	8,955
Animal welfare expenses	1,501	-
Local enforcement expenses	13,788	-
Unifroms	1,847	-
Travelling	1,104	-
Other expenses	930	-
Training	-	3,600
Transport	7,064	1,007
Utilities	12,418	18,913
Provision for bad debts	22,841	18,871
Bad debts	10,500	-
	<u>177,333</u>	<u>135,564</u>

9 DEPRECIATION AND IMPAIRMENT

Amortisation	2,523	6,715
Depreciation	92,665	113,707
	<u>95,188</u>	<u>120,422</u>

10. OTHER EXPENSES

Refund back of EU Funds	137,515	-
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VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

	11. PROPERTY, PLANT AND EQUIPMENT									
	Assets under Construction	New Street Signs	Plants	Motor Vehicles	Urban Improvements	Plant & Machinery	Office Furniture	Computer Equipment	Special Programmes	Total
€	€	€	€	€	€	€	€	€	€	€
<u>Cost</u>										
As at 01/01/22	-	8,900	14,843	6,500	2,792,448	59,234	70,331	19,895	665,319	3,637,470
Additions	-	-	-	-	26,341	-	2,223	1,339	-	29,903
As at 31/12/22	-	8,900	14,843	6,500	2,818,789	59,234	72,554	21,234	665,319	3,667,373
<u>Grants</u>										
As at 01/01/22	-	-	9,171	-	1,182,590	-	-	-	457,056	1,648,817
Additions	-	-	-	-	13,012	-	-	-	-	13,012
As at 31/12/22	-	-	9,171	-	1,195,602	-	-	-	457,056	1,661,829
<u>Depreciation</u>										
As at 01/01/22	-	8,900	5,672	2,492	1,355,953	58,213	47,300	12,812	195,295	1,686,637
Charge for the year	-	-	-	1,300	82,340	500	3,654	3,504	1,367	92,665
As at 31/12/22	-	8,900	5,672	3,792	1,438,293	58,713	50,954	16,316	196,662	1,779,302
<u>Net Book Value</u>										
As at 31/12/22	-	-	-	2,708	184,894	521	21,600	4,918	11,601	226,242

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

11 PROPERTY, PLANT AND EQUIPMENT

<u>Cost</u>	Assets under Construction		New Street Signs	Plants	Motor Vehicles	Urban Improvements	Plant & Machinery	Office Furniture	Computer Equipment	Special Programmes	Total
	€	€									
As at 01/01/21	39,595	8,900	6,500	5,672	2,770,859	59,234	70,331	18,240	334,595	3,313,926	
Additions	-	-	9,171	9,171	21,589	-	-	1,655	291,129	323,544	
Reclassification	(39,595)	-	-	-	-	-	-	-	39,595	-	
As at 31/12/21	-	8,900	6,500	14,843	2,792,448	59,234	70,331	19,895	665,319	3,637,470	
<u>Grants</u>											
As at 01/01/21	-	-	-	-	1,261,906	-	-	-	139,994	1,401,900	
Additions	-	-	9,171	9,171	-	-	-	-	317,062	326,233	
Reversals	-	-	-	-	(79,316)	-	-	-	-	(79,316)	
As at 31/12/21	-	-	9,171	9,171	1,182,590	-	-	-	457,056	1,648,817	
<u>Depreciation</u>											
As at 01/01/21	-	8,900	1,192	5,672	1,256,003	56,699	42,026	7,837	194,601	1,572,930	
Charge for the year	-	-	1,300	-	99,950	1,514	5,274	4,975	694	113,707	
As at 31/12/21	-	8,900	2,492	5,672	1,355,953	58,213	47,300	12,812	195,295	1,686,637	
<u>Net Book Value</u>											
As at 31/12/21	-	-	4,008	-	253,905	1,021	23,031	7,083	12,968	302,016	

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

12 INTANGIBLE FIXED ASSET

	Website Costs €	Application (Vatis) €	Computer software €	Total €
Cost				
As at 01/01/21	8,968	26,000	6,242	41,210
Additions	-	-	3,725	3,725
As at 01/01/22	8,968	26,000	9,967	44,935
Additions	-	-	2,582	2,582
As at 31/12/22	8,968	26,000	12,549	47,517
Grant				
At at 01/01/21	-	-	-	-
Additions	-	-	3,275	3,275
At 01/01/22	-	-	3,275	3,275
Additions	-	-	1,620	1,620
At 31/12/22	-	-	5,345	5,345
Amortisation				
As at 01/01/21	3,737	21,667	5,798	31,202
Charge for the year	2,242	4,333	140	6,715
As at 01/01/22	5,979	26,000	5,938	37,917
Charge for the year	2,243	-	280	2,523
As at 31/12/22	8,222	26,000	6,218	40,440
Net Book Value				
As at 31/12/22	986	-	746	1,732
As at 31/12/21	2,989	-	304	3,293

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

13 RECEIVABLES

	2022 €	2021 €
Receivables	42,142	85,318
Prepayments and accrued income	11,055	8,014
	<u>53,197</u>	<u>93,333</u>

The carrying value of short-term receivables is considered a reasonable approximation of fair value.

In determining the recoverability of receivables the Council considers any changes in the credit quality of each receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the debtor base being large and unrelated.

Included in receivables are debtors with a carrying amount of €4,070 (2021: € 36,774) which are past due at the reporting date for which the Council has not provided as there has not been significant changes in credit quality and the amounts are still considered recoverable. The age of financial assets past due but not impaired is as follows:

	2022 €	2021 €
Not more than 3 months	38,072	48,544
More than 3 months but not more than 6 months	4,070	13,933
More than 6 months	-	22,841
	<u>42,142</u>	<u>85,318</u>

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

	2022 €	2021 €
Balance at 1 January	445,524	426,653
Decrease in provision for LES debtors	-	-
Provision for bad debts	22,841	18,871
Balance at 31 December	<u>468,365</u>	<u>445,524</u>

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	2022 €	2021 €
Bank balances	34,040	93,975
Cash at hand	200	200
Bank balances overdrawn	(51,397)	(405)
Cash and cash equivalents	<u>(17,157)</u>	<u>93,770</u>
Transfer to current liabilities (note 14)	51,397	405
Cash at hand and in bank	<u>34,240</u>	<u>94,175</u>

The Council did not have any restrictions on its cash balances at year end.

15 TRADE AND OTHER PAYABLES

	2022 €	2021 €
CURRENT PAYABLES		
Payables	225,809	318,874
Accruals	16,280	24,508
Other creditors	9,703	-
National insurance contributions	26,193	46,407
Bank balances overdrawn (note 13)	51,397	405
Grants received in advance	21,395	21,395
Deferred income	141,200	115,667
Financial liabilities	<u>491,977</u>	<u>527,256</u>

Financial liabilities are carried at their nominal value which is considered a reasonable approximation of fair value.

16 CAPITAL COMMITMENTS

	2022 €	2021 €
Approved but not contracted for	-	-
Approved and contracted for	115,667	115,667
	<u>115,667</u>	<u>115,667</u>

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

17 CONTINGENT LIABILITIES

	2022 €	2021 €
Claims by third parties	120,000	120,000

18 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
Central Joint Committee (Local Enforcement)	Joint control
South Eastern Regional Committee	Joint control
Gozo Regional Committee	No control
North Regional Committee	No control
Southern Regional Committee	No control
Central Regional Committee	No control
Police General Head Quarters	No control
Local Councils Association	No control
Malta Environment and Planning Authority	No control
LESA	No control
Air Malta plc	No control
Malta Communications Authority	No control
Central Bank of Malta	No control
Civil Protection	No control
Bank of Valletta plc	No control
Maltapost	No control
Malta Tourism Authority	No control
Environmental Landscape Consortium	No control
Wasteserv Malta Limited	No control
Transport Malta	No control
The Commissioner for Inland Revenue	No control
ARMS Limited	No control
Performing Rights Society	No control
Government Property Division	No control

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

	2022 €	2021 €
Annual financial allocation	948,739	932,309

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

18 RELATED PARTY TRANSACTIONS (continued)

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

19 RISK MANAGEMENT OBJECTIVES AND POLICIES

The Council is exposed to credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Council is not exposed to any market risk. The Council's risk management is coordinated by the Council members and focuses on actively securing the Council's short to medium term cash flows by minimising the exposure to financial risks.

The most significant financial risks to which the Council is exposed are described below. See also note 19.3 for a summary of the Council's financial assets and liabilities by category.

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:

	Notes	2022 €	2021 €
Classes of financial assets – carrying amounts			
Trade and other receivables	13	53,197	93,333
Cash and cash equivalents	14	34,240	94,175
		<u>87,437</u>	<u>187,508</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 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. See note 13 for further information on impairment or financial assets that are past due.

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

19 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

19.2 LIQUIDITY RISK

The Council's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise payables (see note 15). Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funding 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 risk is not deemed to be significant in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments, as well as the Council's committed borrowing facilities that it can access to meet liquidity needs.

At 31 December 2022 the Council's financial liabilities have contractual maturities which are summarised below:

Current within 1 year:

	2022	2021
	€	€
Payables	225,809	318,874
Accruals	16,280	24,508
Other creditors	9,703	-
National insurance outstanding	26,193	46,407
Bank balances overdrawn	51,379	405
Grants received in advance	21,395	21,395
Deferred income	141,200	115,667
	<u>491,977</u>	<u>527,256</u>

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

19.3 SUMMARY OF 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		
Loans and receivables:		
Trade and other receivables	53,197	93,333
Cash and cash equivalents	34,240	94,175
	<hr/>	<hr/>
	87,437	187,508
	<hr/>	<hr/>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	225,809	318,874
Accruals	16,280	24,508
Other creditors	9,703	-
National insurance contributions	26,193	46,407
Bank balance overdawn	51,379	405
Grants received in advance	21,395	21,395
Deferred income	141,200	115,667
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	491,977	527,256
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20 FAIR VALUES ESTIMATION

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

21 GOING CONCERN

The statement of financial position on page 3 shows a net current liability position amounting to €404,540 (2021 - €339,748) 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 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 be able to meet its financial obligations as they fall due without curtailing its future commitments.