



Hal Balzan Local Council

**Annual Report
and
Financial Statements
for the year ended
31 December 2022**

**Kunsill Lokali:
Hal-Balzan**

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Hal Balzan Local Council

Annual Report and Financial Statements for the year ended 31 December 2022

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Hal Balzan Local Council

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 the Local Council's statement of comprehensive income for the year and of the Local 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 Local Council on the 3 March 2023 and signed on its behalf by



Dr Angelo Micallef
Mayor



Ms Doriette Farrugia
Executive Secretary

Hal Balzan Local Council

Statement of Comprehensive Income
for the year ended 31 December 2022

	Notes	2022 Eur	2021 Eur
Income			
Funds received from Central Government	3	422,444	421,480
Income raised under the Local Enforcement System	3	1,777	1,481
General income	3	24,620	23,177
		<u>448,841</u>	<u>446,138</u>
Expenditure			
Personal emoluments	4	(105,045)	(102,287)
Operations and maintenance	5	(224,115)	(153,642)
Administration and other expenditure	6	(140,184)	(150,170)
		<u>(469,344)</u>	<u>(406,099)</u>
Operating (loss) / profit for the year		(20,503)	40,039
Finance income		<u>12</u>	<u>12</u>
(Loss) / profit for the year		<u>(20,491)</u>	<u>40,051</u>

The notes on pages 6 to 22 form an integral part of these financial statements



Hal Balzan Local Council

Statement of Financial Position as at 31 December 2022

	Notes	2022 Eur	2021 Eur
Assets			
Non-current Assets			
Property, plant and equipment	7a-b	173,666	213,614
Current Assets			
Inventory		1,270	1,270
Trade and other receivables	8	60,817	16,308
Cash and bank balances	9	515,352	508,888
		<u>577,439</u>	<u>526,466</u>
Total Assets		<u><u>751,105</u></u>	<u><u>740,080</u></u>
Reserves and Liabilities			
Reserves			
Retained Funds		521,793	542,284
Non-current Liabilities			
Lease liabilities	16	83,374	99,851
Deferred income	11	34,315	34,315
		<u>117,689</u>	<u>134,166</u>
Current Liabilities			
Trade and other payables	10	111,623	63,630
Total Equity and Liabilities		<u><u>751,105</u></u>	<u><u>740,080</u></u>

The notes on pages 6 to 22 form an integral part of these financial statements

These financial statements were approved by the Local Council on 3 March 2023 and are signed on its behalf by



Dr Angelo Micallef
Mayor



Ms Doriette Farrugia
Executive Secretary

Hal Balzan Local Council**Statement of Changes in Equity
for the year ended 31 December 2022**

	Retained funds
	Eur
At 1 January 2021	502,233
Total comprehensive income for the year	<u>40,051</u>
At 31 December 2021	542,284
Total comprehensive loss for the year	<u>(20,491)</u>
At 31 December 2022	<u><u>521,793</u></u>

The notes on pages 6 to 22 form an integral part of these financial statements

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Hal Balzan Local Council

**Statement of Cash Flows
for the year ended 31 December 2022**

	Note	2022 Eur	2021 Eur
Cash flows from operating activities			
Operating (loss) / profit for the year		(20,491)	40,051
<i>Adjustments for:</i>			
Bank interest received		(12)	(12)
Lease interest		3,451	3,903
Assets written-off		-	-
Depreciation		53,429	51,489
Profit for the year before working capital movements		36,377	95,431
Movement in inventory		-	(1,015)
Movement in trade and other receivables		(44,509)	19,984
Movement in trade and other payables		44,135	(8,584)
Grants utilised		-	-
Net cash generated from operating activities		36,003	105,816
Cash flows from investing activities			
Payment to acquire property, plant and equipment		(13,481)	(10,302)
Grants received		-	-
Bank interest received		12	12
Net cash used in investing activities		(13,469)	(10,290)
Cash flows from financing activities			
Lease payments		(12,619)	(12,167)
Lease interest paid		(3,451)	(3,903)
Net cash used in financing activities		(16,070)	(16,070)
Movement in cash and bank balances		6,464	79,456
Cash and bank balances at the beginning of the year		508,888	429,432
Cash and bank balances at the end of the year	9	515,352	508,888

The notes on pages 6 to 22 form an integral part of these financial statements

Hal Balzan Local Council

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

Note

1 General information

The Local Council is the local authority of Balzan set up in accordance with the Local Councils Act. The office of the Local Council is situated at 7/9, Dun Spir Sammut Street, Hal Balzan. These financial statements were approved for issue by the Local Council members on 3 March 2023.

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 years presented, unless otherwise stated.

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 are prepared under the historical cost convention as modified to include fair values stated in the accounting policies below. These financial statements are prepared in accordance to the requirements of International Financial Reporting Standards (IFRS) and comply with the Local Councils Act, Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

New or revised standards or interpretations

New standards adopted as at 1 January 2022

Some accounting pronouncements which have become effective from 1 January 2022 and have therefore been adopted do not have a significant impact on the Local Council's financial results or position.

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, certain new standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board (IASB) but are not yet effective, and have not been adopted early by the Local Council.

The Councillors and Executive Secretary anticipate that all of the relevant pronouncements will be adopted in the Local Council's accounting policies for the first period beginning after the effective date of the pronouncement. No new standards, amendments and interpretations are expected to be relevant to the Local Council's financial statements.

The principal accounting policies and reporting procedures used by the Local Council is as follows :

a) **Revenue recognition**

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

Income from central government is not recognised until there is reasonable assurance that the Local 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 for non-compliance are to be disclosed separately with expenses.

b) **Local Enforcement System income**

Local Enforcement System income represents the income as it accrues from contraventions as controlled by the Local Enforcement System (L.E.S).

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Hal Balzan Local Council

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

Note

2 Accounting policies and reporting procedures (cont.)

c) Property, plant and equipment

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

	%
Trees	0
Land	0
Buildings	1
Office furniture and fittings	7.5
Construction works	10
Special programmes	10
Urban improvements (Street Furniture)	10
Office equipment	20
Plant & Machinery	20
Motor Vehicles	20
Computer equipment	25
Plants	100
New street signs	Replacement basis
Litter Bins	Replacement basis
Playground Furniture	100
Street Lights	100
Street Mirrors	100
Right of Use Assets	Over term of lease

Assets not yet capitalised represents Special Programmes of the Local Council and is stated at cost. Costs included under assets not yet capitalised will be transferred to Special Programmes upon completion. The account is not depreciated until such time that the asset is completed and available for use.

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 statement of financial position 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 Local Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

d) Impairment of non-financial asset

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.

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Hal Balzan Local Council

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

Note

2 Accounting policies and reporting procedures (cont.)

e) Government and EU Grants

Government and EU grants are accounted for on a systematic basis in the statement of comprehensive income over the periods necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related costs, then the grant is accounted for when it becomes receivable.

Government and EU grants relating to property, plant and equipment are written-off against the expenditure incurred on such property, plant and equipment in the year of purchase in line with the capital approach as per International Accounting Standard 20, Government Grants and are thus deducted from the carrying amount of the relative non-current asset.

f) 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 Local Council's functional and presentation currency.

Transactions denominated in foreign currencies are translated into Euro at rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into Euro at the rates of exchange prevailing at the date of the statement of financial position.

g) Profits and Losses

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 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.

h) Cash and bank balances

Cash and bank balances are carried in the statement of financial position at face value. For the purposes of the statement of cash flows, cash and bank balances comprise cash in hand and balances held with banks.

i) Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Local Council becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

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Hal Balzan Local Council

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

Note

2 Accounting policies and reporting procedures (cont.)

i) Financial instruments (cont.)

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

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

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

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within 'finance costs', 'finance income' or 'other financial items'.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Local Council's cash and bank balances, trade receivables and most other receivables fall into this category of financial instruments.

Impairment of financial assets

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


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Hal Balzan Local Council

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

Note

2 Accounting policies and reporting procedures (cont.)

i) Financial instruments (cont.)

Impairment of financial assets (cont.)

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

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

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

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

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

Classification and measurement of financial liabilities

The Local Council's financial liabilities include trade and other payables and lease liabilities.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Local Council designates a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

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

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Hal Balzan Local Council

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

Note

2 Accounting policies and reporting procedures (cont.)

j) Leases

At inception of a contract, the Local Council assesses whether a 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. To assess whether a contract conveys the right to control the use of an identified asset, the Local Council assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Local Council has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Local Council has the right to direct the use of the asset. The Council has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Council has the right to direct the use of the asset if either:
 - the Local Council has the right to operate the asset; or
 - the Local Council designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Local Council allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Local Council has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

As a lessee

The Local Council recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the 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 estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Local Council's incremental borrowing rate. Generally, the Local Council uses its incremental borrowing rate as the discount rate.



Hal Balzan Local Council

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

Note

2 Accounting policies and reporting procedures (cont.)

j) Leases (cont.)

As a lessee (cont.)

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Local Council is reasonably certain to exercise, lease payments in an optional renewal period if the Local Council is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Local Council is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Council's estimate of the amount expected to be payable under a residual value guarantee or if the Council changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Local Council has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Local Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

k) Critical estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Local Council, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.



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Hal Balzan Local Council

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

Note

3 Revenue	2022	2021
	Eur	Eur
Government income		
In terms of section 55 of the Local Councils Act (Cap 363)	343,288	335,287
Other government income	76,156	83,808
Other supplementary government income	3,000	2,385
	<u>422,444</u>	<u>421,480</u>
Income raised under the Local Enforcement System		
Income from LES administration fees	1,375	1,159
Income from contraventions	402	322
	<u>1,777</u>	<u>1,481</u>
General income		
Income from permits	24,581	23,123
Sundry contributions and donations	39	54
	<u>24,620</u>	<u>23,177</u>
	<u>448,841</u>	<u>446,138</u>
4 Personal emoluments	2022	2021
	Eur	Eur
Personal emoluments include, inter alia :		
Mayor's allowance	10,742	10,542
Executive Secretary's salary and allowances	37,083	32,749
Employees' salaries	39,242	40,035
Social security contributions	4,978	6,040
Councillors' allowance	13,000	12,921
	<u>105,045</u>	<u>102,287</u>

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Hal Balzan Local Council

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

Note

5 Operations and maintenance	2022	2021
	Eur	Eur
Repairs and upkeep:		
Signs	1,682	842
Public property	24,405	16,472
Road markings	1,630	826
Other repairs and upkeep	2,279	1,735
	<u>29,996</u>	<u>19,875</u>
 Contractual services:		
Refuse collection	133,534	81,927
Bulky refuse collection	8,405	9,287
Road and street cleaning	37,868	35,802
Cleaning and maintenance - public conveniences	1,444	584
Cleaning and maintenance - parks and gardens	6,932	3,220
Street lighting	2,831	-
Other	3,105	2,947
	<u>194,119</u>	<u>133,767</u>
	<u>224,115</u>	<u>153,642</u>

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Hal Balzan Local Council

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

Note

6 Administration and other expenditure	2022	2021
	<u>Eur</u>	<u>Eur</u>
Utilities	4,758	4,053
Materials and supplies	1,431	1,439
Rent	2,000	1,950
Lease interest	3,451	3,903
Memberships	1,032	15
Office services	3,189	2,515
Transport	537	1,167
Information services	3,539	3,221
Professional services	44,618	39,739
Community services and events	21,037	40,568
Local enforcement expenses	163	111
Sundry expenses	1,000	-
Depreciation	53,429	51,489
	<u><u>140,184</u></u>	<u><u>150,170</u></u>

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Hal Balzan Local Council

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

Note

7a Property, Plant and Equipment	Office furniture & fittings	Plant and machinery	Computer equipment	Office equipment	Motor Vehicles (Right of Use)	Urban improvements	New street signs	Construction works	Property (Right of Use)	Special programmes	Total
	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur
Cost - as at 1 January 2022	31,897	2,007	10,726	22,097	28,125	716,886	10,170	699,991	132,907	254,130	1,908,936
Additions	1,210	-	-	2,481	-	8,905	-	885	-	-	13,481
Assets written-off	-	-	-	-	-	-	-	-	-	-	-
Cost - as at 31 December 2022	33,107	2,007	10,726	24,578	28,125	725,791	10,170	700,876	132,907	254,130	1,922,417
Grants - as at 1 January 2022	737	-	-	11,031	-	488,863	-	-	-	143,182	643,813
Additions	-	-	-	-	-	-	-	-	-	-	-
Released on write-off	-	-	-	-	-	-	-	-	-	-	-
Grants - as at 31 December 2022	737	-	-	11,031	-	488,863	-	-	-	143,182	643,813
Accumulated depreciation - as at 1 January 2022	13,842	1,953	7,745	6,184	19,711	167,597	10,170	660,187	53,172	110,948	1,051,509
Charge for the period	2,016	13	1,314	2,465	5,625	21,324	-	11,807	8,865	-	53,429
Released on write-off	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - as at 31 December 2022	15,858	1,966	9,059	8,649	25,336	188,921	10,170	671,994	62,037	110,948	1,104,938
Net book value - as at 31 December 2022	16,512	41	1,667	4,898	2,789	48,007	-	28,882	70,870	-	173,666




Hal Balzan Local Council

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

Note

7b Property, Plant and Equipment

	Office furniture & fittings		Plant and Machinery		Computer equipment		Office equipment		Motor Vehicles (Right of Use)		Urban improvements		New street signs		Construction works		Property (Right of Use)		Special programmes		Total			
	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	
Cost - as at 1 January 2021	32,131	1,944	8,005	18,120	28,125	708,189	10,170	699,991	132,907	254,130	1,893,712	15,458	(234)	31,897	2,007	10,726	22,097	28,125	716,886	10,170	699,991	132,907	254,130	1,908,936
Additions	-	63	2,721	3,977	-	8,697	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(234)
Assets written-off / Adjustment	(234)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost - as at 31 December 2021	31,897	2,007	10,726	22,097	28,125	716,886	10,170	699,991	132,907	254,130	1,908,936	15,458	(234)	31,897	2,007	10,726	22,097	28,125	716,886	10,170	699,991	132,907	254,130	1,908,936
Grants - as at 1 January 2021	737	-	-	11,031	-	487,518	-	-	-	-	642,468	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	1,345	-	-	-	-	1,345	-	-	-	-	-	-	-	-	-	-	-	-	-
Released on write-off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants - as at 31 December 2021	737	-	-	11,031	-	488,863	-	-	-	-	643,813	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - as at 1 January 2021	12,094	1,944	5,789	4,682	14,086	147,810	10,170	648,424	44,307	110,948	1,000,254	-	-	-	-	-	-	-	-	-	-	-	-	-
Charge for the period	1,982	9	1,956	1,502	5,625	19,787	-	11,763	8,865	-	51,489	-	-	-	-	-	-	-	-	-	-	-	-	-
Released on write-off	(234)	-	-	-	-	-	-	-	-	-	(234)	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation - as at 31 December 2021	13,842	1,953	7,745	6,184	19,711	167,597	10,170	660,187	53,172	110,948	1,051,509	-	-	-	-	-	-	-	-	-	-	-	-	-
Net book value - as at 31 December 2021	17,318	54	2,981	4,882	8,414	60,426	-	39,804	79,735	-	213,614	-	-	-	-	-	-	-	-	-	-	-	-	-



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Hal Balzan Local Council

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

Note

8 Trade and other receivables	2022	2021
	Eur	Eur
Current		
Debtors	26,963	10,699
Accrued income	29,595	2,511
Deposits	600	600
Financial assets measured at amortised cost	57,158	13,810
Prepayments	3,659	2,498
Total trade and other receivables	60,817	16,308

In accordance with IFRS 9, the Local Council has assessed the risks and scenarios resulting from such risks occurring based on the information that it possesses. In accordance to this risk assessment model, the Local Council does not expect to have any material impairments to these balances and hence no impairment adjustments were deemed necessary.

9 Cash and bank balances

For the purposes of the statement of cash flows, the year end cash and bank balances comprise the following:

	2022	2021
	Eur	Eur
Cash in hand	524	464
Bank balances :		
Current accounts	459,596	453,368
Savings accounts	55,232	55,056
	515,352	508,888

In accordance with IFRS 9, the Local Council has assessed the risks and scenarios resulting from such risks occurring based on the information that it possesses. In accordance to this risk assessment model, the Local Council does not expect to have any material impairments to these balances and hence no impairment adjustments were deemed necessary.

10 Trade and other payables	2022	2021
	Eur	Eur
Current		
Creditors	41,944	16,464
Accruals	19,197	18,534
Other creditors	-	1,920
Retention money held	13,557	14,023
Financial liabilities measured at amortised cost	74,698	50,941
Other deferred income	20,448	70
Lease liabilities (note 16)	16,477	12,619
Total trade and other payables	111,623	63,630

Retention money held represents retention money held against permits issued to cover any breaches or damages caused by the permit holders. Once the permit is no longer required the money is refunded.

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Hal Balzan Local Council

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

Note

11 <u>Deferred Income</u>	2022	2021
	Eur	Eur
Non-Current		
Opening balance	34,315	35,660
Utilised	-	(1,345)
Closing balance	<u>34,315</u>	<u>34,315</u>

Maturity of non-current deferred income is as follows:

Between two and five years	34,315	34,315
	<u>34,315</u>	<u>34,315</u>

12 <u>Capital commitments</u>	2022	2021
	Eur	Eur
Authorised and not contracted for	-	-
Analysed as follows:		
Authorised and not contracted for		
Office furniture & fittings	2,000	-
Office equipment	2,500	-
Plant and machinery	41,000	-
Urban improvements	119,892	-
	<u>165,392</u>	<u>-</u>

Part of the urban improvements are being funded through UIF funds. The rest are being funded from the Local Council's internal funds.

13 Related party transactions

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

Central Government is the main related party of the Local Council. For the year ended 31 December 2022, the Local Council received Eur343,288 (2021: Eur335,287) in funding from Central Government. Key management personnel who are deemed to exercise a significant influence over the Local Council are the Mayor, the Executive Secretary and the councillors who were remunerated as follows:

	2022	2021
	Eur	Eur
Mayor	10,742	10,542
Executive Secretary	37,144	33,765
Councillors	13,000	10,600
	<u>60,886</u>	<u>54,907</u>

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Hal Balzan Local Council

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

Note

14 Classification of financial assets and financial liabilities

The Local Council's financial assets and liabilities have been classified as follows in accordance with IFRS 9:

	Credits and other receivables	Other financial assets / liabilities	Total carrying amount	Fair value
2022				
Assets				
Trade and other receivables	57,158	-	57,158	57,158
Cash and bank balances	515,352	-	515,352	515,352
Total financial assets	572,510	-	572,510	572,510
Liabilities				
Trade and other payables	-	74,698	74,698	74,698
Total financial liabilities	-	74,698	74,698	74,698
2021				
Assets				
Trade and other receivables	13,810	-	13,810	13,810
Cash and bank balances	508,888	-	508,888	508,888
Total financial assets	522,698	-	522,698	522,698
Liabilities				
Trade and other payables	-	50,941	50,941	50,941
Total financial liabilities	-	50,941	50,941	50,941

15 Financial risk management

15.1 Financial risk factors

The Local Council's activities expose it to both credit risk and liquidity risk. The Local Council did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial years.

The Local Council provides principles for overall risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity.

a) Credit risk

The Local Council's credit risk arises from cash and bank balances, including deposits with the banks and trade and other receivables. The Local Council's exposures to credit risk are analysed as follows:

	2022 Eur	2021 Eur
Trade and other receivables	57,158	13,810
Cash and bank balances	515,352	508,888
	572,510	522,698

The ageing of trade and other receivables is as follows:

	2022 Eur	2021 Eur
Less than 1 month	-	145
Between 1 and 2 months due	53,561	10,068
Over 3 months due	3,597	3,597
	57,158	13,810

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Hal Balzan Local Council

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

Note

15 Financial risk management - Continued

a) Credit risk - continued

The maximum exposure to credit risk at the reporting date in respect of the financial assets mentioned above is disclosed above and in Notes 8 and 9 to these financial statements. The Local Council does not hold any collateral as security in this respect.

The Local Council banks only with local financial institutions with high quality standing or rating.

The Local Council's major debtors are the Government and the Regional Committees, thus, it deems that it does not have any risk of non-recoverability of its dues. An amount of €3,597 (2021: €3,597) is past the credit period but the Council does not deem this balance to be impaired.

b) Liquidity risk

The Local Council's exposure to liquidity risk is mainly from its payables and retention monies as per note 10 and which are due within 60 days. Given the requirements at law to maintain a healthy working capital, the Local Council takes all measures to keep its liquidity risk exposure in check. In fact it maintains sufficient cash to ensure the availability of an adequate amount of funding to meet the Local Council's obligations. The Local Council's exposure to liquidity risk is as follows:

	2022	2021
	Eur	Eur
Creditors	41,944	16,464
Accruals	19,197	18,534
Lease liabilities	16,477	12,619
Retention money held	13,557	14,023
	<u>91,175</u>	<u>61,640</u>

15.2 Fair values of financial instruments

At 31 December 2022 and 2021, the carrying amounts of cash at bank, receivables, payables and accrued expenses 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.

16 Leases

The Local Council leases two assets: the Local Council Office, on a 15 year lease which commenced on 1st January 2016; and the Local Council Van with a five-year term lease which commenced on 1st July 2018. The Council has the option to purchase the van after expiry of the lease.

Right-of-use assets

	Council Office	Council Van	Total
	Eur	Eur	Eur
Net carrying amount			
31st December 2022	70,870	2,789	73,659
Depreciation expense for the year ended			
31st December 2022	8,865	5,625	14,490

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Hal Balzan Local Council

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

Note

16 Leases - Continued

	2022	2021
	Eur	Eur
<i>Amounts recognised in profit and loss</i>		
Depreciation expense on right-of-use assets	14,490	14,490
Interest expense on lease liabilities	3,451	3,903
Expense relating to short-term leases	2,000	1,950
<i>Lease liabilities</i>		
Non-current	83,374	99,851
Current	16,477	12,619
	<u>99,851</u>	<u>112,470</u>
<i>Maturity analysis</i>		
Not later than 1 year	16,477	12,619
Later than 1 year and not later than 5 years	48,940	45,953
Later than 5 years	34,434	53,898
	<u>99,851</u>	<u>112,470</u>

17 Capital

The Local Council does not carry any share capital but it does have an accumulated surplus which it uses to finance capital projects such as roads, urban improvements and other major projects of benefit to the Balzan residents and community. This, however, needs to be expended with due diligence in order not to fall below the minimum working capital requirements as required by the Local Councils (Financial) Procedures 1996.



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Report of the Local Government Auditor

To the Auditor General

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Balzan Local Council set out on pages 2 to 22 which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Local Council as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Council in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of those charged with governance for the financial statements

As described on page 1 the Executive Secretary and the members of the Local Council are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Legislation, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Secretary and the members of the Local Council are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is the intention to liquidate the Council or to cease operations, or have no realistic alternative but to do so.

The Executive Secretary and the members of the Local Council are responsible for overseeing the Council's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

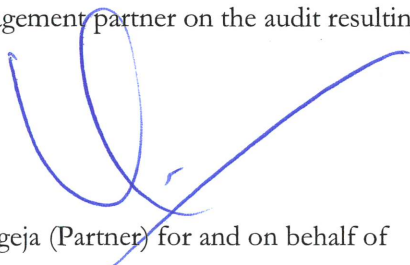
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Mark Bugeja.



Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

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Birkirkara CBD 1050
Malta

3 March 2023