



Hal Balzan Local Council

Annual Report and Financial Statements for the year ended 31 December 2023



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Hal Balzan Local Council

Annual Report and Financial Statements for the year ended 31 December 2023

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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 29 April 2024 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 2023

	Notes	2023 Eur	2022 Eur
Income			
Government income	3	405,551	422,444
Income raised under the Local Enforcement System	3	2,824	1,777
General income	3	30,556	24,620
		<u>438,931</u>	<u>448,841</u>
Expenditure			
Personal emoluments	4	(122,310)	(105,045)
Operations and maintenance	5	(150,016)	(224,115)
Administration and other expenditure	6	(140,889)	(140,184)
		<u>(413,215)</u>	<u>(469,344)</u>
Operating profit / (loss) for the year		25,716	(20,503)
Finance income		12	12
Total comprehensive income / (loss) for the year		<u>25,728</u>	<u>(20,491)</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 Financial Position as at 31 December 2023

	Notes	2023 Eur	2022 Eur
Assets			
Non-current Asset			
Property, plant and equipment	7a-b	<u>137,942</u>	<u>173,666</u>
Current Assets			
Inventory		843	1,270
Trade and other receivables	8	81,289	60,817
Cash and bank balances	9	<u>534,019</u>	<u>515,352</u>
		<u>616,151</u>	<u>577,439</u>
Total Assets		<u><u>754,093</u></u>	<u><u>751,105</u></u>
Reserves and Liabilities			
Reserves			
Retained Funds		<u>547,521</u>	<u>521,793</u>
Non-current Liabilities			
Lease liabilities	16	75,013	83,374
Deferred income	11	<u>34,315</u>	<u>34,315</u>
		<u>109,328</u>	<u>117,689</u>
Current Liabilities			
Trade and other payables	10	<u>97,244</u>	<u>111,623</u>
Total Equity and Liabilities		<u><u>754,093</u></u>	<u><u>751,105</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 29 April 2024 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 2023**

	Retained funds
	<u>Eur</u>
At 1 January 2022	542,284
Total comprehensive loss for the year	<u>(20,491)</u>
At 31 December 2022	521,793
Total comprehensive income for the year	<u>25,728</u>
At 31 December 2023	<u><u>547,521</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 2023**

	Note	2023 Eur	2022 Eur
Cash flows from operating activities			
Operating profit / (loss) for the year		25,728	(20,491)
<i>Adjustments for:</i>			
Bank interest received		(12)	(12)
Lease interest		2,861	3,451
Assets written-off		1,364	-
Depreciation	7a-b	48,159	53,429
Profit for the year before working capital movements		78,100	36,377
Movement in inventory		427	-
Movement in trade and other receivables		(21,072)	(44,509)
Movement in trade and other payables		(16,613)	44,135
Net Cash generated from operating activities		40,842	36,003
Cash flows from investing activities			
Payment to acquire property, plant and equipment	7a-b	(13,199)	(13,481)
Grants received		10,350	-
Bank interest received		12	12
Net Cash used in investing activities		(2,837)	(13,469)
Cash flows from financing activities			
Lease payments		(16,477)	(12,619)
Lease interest paid		(2,861)	(3,451)
Net Cash used in financing activities		(19,338)	(16,070)
Movement in cash and bank balances		18,667	6,464
Cash and bank balances at the beginning of the year		515,352	508,888
Cash and bank balances at the end of the year	9	534,019	515,352

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 2023

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 29 April 2024.

2 New or revised standards or interpretations

a) **New standards adopted as at 1 January 2023**

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

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

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

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

b) **Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Local Council**

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

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

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

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

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



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Hal Balzan Local Council

Notes to the Financial Statements for the year ended 31 December 2023

Note

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.

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.

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

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 statement of comprehensive income 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 (LES).

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

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Hal Balzan Local Council

Notes to the Financial Statements for the year ended 31 December 2023

Note

3 Material accounting policies (cont.)

c) Property, plant and equipment (cont.)

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.

e) Government and European Union 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.

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Hal Balzan Local Council

Notes to the Financial Statements for the year ended 31 December 2023

Note

3 Material accounting policies and reporting procedures (cont.)

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.

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); or
- fair value through other comprehensive income (FVOCI).

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

Handwritten signature and initials in blue ink, consisting of a large stylized 'A' and the letters 'df'.

Hal Balzan Local Council

Notes to the Financial Statements for the year ended 31 December 2023

Note

2 Material accounting policies and reporting procedures (cont.)

i) Financial instruments (cont.)

Impairment of financial assets

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

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

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

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



A handwritten signature in blue ink, consisting of a large, stylized 'A' with a horizontal line through it, and the initials 'df' written below it.

Hal Balzan Local Council

Notes to the Financial Statements for the year ended 31 December 2023

Note

2 Material accounting policies and reporting procedures (cont.)

i) Financial instruments (cont.)

Impairment of financial assets (cont.)

'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'.

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.

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Hal Balzan Local Council

Notes to the Financial Statements for the year ended 31 December 2023

Note

2 Material accounting policies and reporting procedures (cont.)

j) Leases (cont.)

As a lessee (cont.)

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.

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.

Hal Balzan Local Council

Notes to the Financial Statements for the year ended 31 December 2023

Note

3 <u>Revenue</u>	2023 Eur	2022 Eur
Government income		
In terms of section 55 of the Local Councils Act (Cap 363)	326,838	343,288
Other government income	74,966	76,156
Other supplementary government income	3,747	3,000
	<u>405,551</u>	<u>422,444</u>
Income raised under the LES		
Income from LES administration fees	1,559	1,375
Income from contraventions	1,265	402
	<u>2,824</u>	<u>1,777</u>
General income		
Income from permits	30,551	24,581
Sundry contributions and donations	5	39
	<u>30,556</u>	<u>24,620</u>
	<u>438,931</u>	<u>448,841</u>
4 <u>Personal emoluments</u>	2023 Eur	2022 Eur
Personal emoluments include, inter alia :		
Mayor's allowance	11,079	10,742
Executive Secretary's salary and allowances	42,908	37,083
Employees' salaries	48,171	39,242
Social security contributions	7,152	4,978
Councillors' allowance	13,000	13,000
	<u>122,310</u>	<u>105,045</u>



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Hal Balzan Local Council

Notes to the Financial Statements for the year ended 31 December 2023

Note

5 Operations and maintenance

	2023	2022
	Eur	Eur
	<u> </u>	<u> </u>
Repairs and upkeep:		
Signs	2,054	1,682
Public property	25,585	24,405
Road markings	1,726	1,630
Other repairs and upkeep	1,716	2,279
	<u>31,081</u>	<u>29,996</u>
Contractual services:		
Refuse collection	52,597	133,534
Bulky refuse collection	6,419	8,405
Road and street cleaning	37,482	37,868
Cleaning and maintenance - public conveniences	1,534	1,444
Cleaning and maintenance - parks and gardens	5,170	6,932
Street lighting	12,604	2,831
Other	3,129	3,105
	<u>118,935</u>	<u>194,119</u>
	<u>150,016</u>	<u>224,115</u>



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Hal Balzan Local Council

Notes to the Financial Statements for the year ended 31 December 2023

Note

6 Administration and other expenditure	2023	2022
	<u>Eur</u>	<u>Eur</u>
Utilities	4,511	4,758
Materials and supplies	3,553	1,431
Rent	2,150	2,000
Lease interest	2,861	3,451
Memberships	1,165	1,032
Office services	6,059	3,189
Transport	1,542	537
Information services	782	3,539
Professional services	41,627	44,618
Community services and events	25,239	21,037
Local enforcement expenses	1,716	163
Sundry expenses	1,525	1,000
Depreciation	48,159	53,429
	<u>140,889</u>	<u>140,184</u>



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Hal Balzan Local Council

Notes to the Financial Statements
for the year ended 31 December 2023

Note

7a <u>Property, plant and equipment</u>	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
Cost - as at 1 January 2023	33,107	2,007	10,726	24,578	28,125	28,125	725,791	10,170	700,876	132,907	254,130	1,922,417										
Additions	-	-	2,152	3,721	-	-	7,326	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,199
Assets written-off	(968)	-	(2,016)	(253)	-	-	(21,651)	-	(33,879)	-	-	-	-	-	-	-	-	-	-	-	-	(58,767)
Cost - as at 31 December 2023	32,139	2,007	10,862	28,046	28,125	28,125	711,466	10,170	666,997	132,907	254,130	1,876,849										
Grants - as at 1 January 2023 and 31 December 2023	737	-	-	11,031	-	-	488,863	-	-	-	-	143,182	643,813									
Accumulated depreciation - as at 1 January 2023	15,858	1,966	9,059	8,649	25,336	25,336	188,921	10,170	671,994	62,037	110,948	1,104,938										
Charge for the period	1,978	13	1,168	2,265	2,789	2,789	19,229	-	11,852	8,865	-	48,159										
Released on write-off	(790)	-	(2,016)	(253)	-	-	(21,065)	-	(33,879)	-	-	(58,003)										
Accumulated depreciation - as at 31 December 2023	17,046	1,979	8,211	10,661	28,125	28,125	187,085	10,170	649,967	70,902	110,948	1,095,094										
Net book value - as at 31 December 2023	14,356	28	2,651	6,354	-	-	35,518	-	17,030	62,005	-	137,942										



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Hal Balzan Local Council

Notes to the Financial Statements
for the year ended 31 December 2023

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 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												
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 and 31 December 2022	737	-	-	11,031	-	488,863	-	-	-	-	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												
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												



Flai Balzan Local Council

Notes to the Financial Statements for the year ended 31 December 2023

Note

8 Trade and other receivables	2023	2022
	Eur	Eur
Current		
Debtors	33,049	26,963
Accrued income	43,340	29,595
Deposits	0	600
Financial assets measured at amortised cost	76,389	57,158
Prepayments	4,900	3,659
Total trade and other receivables	81,289	60,817

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:

	2023	2022
	Eur	Eur
Cash in hand	317	524
Bank balances :		
Current accounts	478,050	459,596
Savings accounts	55,652	55,232
	534,019	515,352

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	2023	2022
	Eur	Eur
Current		
Creditors	17,597	41,944
Accruals	27,163	19,197
Retention money held	13,324	13,557
Financial liabilities measured at amortised cost	58,084	74,698
Other deferred income	30,799	20,448
Lease liabilities (note 16)	8,361	16,477
Total trade and other payables	97,244	111,623

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.



Hal Balzan Local Council

Notes to the Financial Statements for the year ended 31 December 2023

Note

11 <u>Deferred Income</u>	2023	2022
	Eur	Eur
Non-Current		
Opening and closing balance	<u>34,315</u>	<u>34,315</u>

Maturity of non-current deferred income is as follows:

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

12 <u>Capital commitments</u>	2023	2022
	Eur	Eur
Authorised and not contracted for	<u>160,892</u>	<u>165,392</u>

Analysed as follows:

Authorised and not contracted for		
Office furniture & fittings	-	2,000
Office equipment	-	2,500
Plant and machinery	41,000	41,000
Urban improvements	<u>119,892</u>	<u>119,892</u>
	<u>160,892</u>	<u>165,392</u>

Part of the urban improvements are being funded through the Planning Authority's Urban Improvement Fund. 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 2023, the Local Council received Eur326,838 (2022: Eur343,288) 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:

	2023	2022
	Eur	Eur
Mayor	11,079	10,742
Executive Secretary	48,171	37,144
Councillors	<u>13,000</u>	<u>13,000</u>
	<u>72,250</u>	<u>60,886</u>

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Hal Balzan Local Council

Notes to the Financial Statements for the year ended 31 December 2023

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
2023				
Assets				
Trade and other receivables	76,389	-	76,389	76,389
Cash and bank balances	534,019	-	534,019	534,019
Total financial assets	610,408	-	610,408	610,408
Liabilities				
Trade and other payables	-	58,084	58,084	58,084
Total financial liabilities	-	58,084	58,084	58,084
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

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:

	2023 Eur	2022 Eur
Trade and other receivables	76,389	57,158
Cash and bank balances	534,019	515,352
	610,408	572,510

The ageing of trade and other receivables is as follows:

	2023 Eur	2022 Eur
Less than 1 month	41,401	0
Between 1 and 2 months due	32,011	53,561
Over 3 months due	2,977	3,597
	76,389	57,158

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Hal Balzan Local Council

Notes to the Financial Statements for the year ended 31 December 2023

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 €2,977 (2022: €3,597) is past the credit period but the Local 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:

	2023 Eur	2022 Eur
Creditors	17,597	41,944
Accruals	27,163	19,197
Lease liabilities	8,361	16,477
Retention money held	13,324	13,557
	<u>66,445</u>	<u>91,175</u>

15.2 Fair values of financial instruments

At 31 December 2023 and 2022, 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 1 January 2016; and the Local Council van with a five-year term lease which commenced on 1st July 2018. The Local Council has the option to purchase the van after expiry of the lease.

Right-of-use assets

	Council Office Eur	Council Van Eur	Total Eur
Net carrying amount 31st December 2023	62,005	-	62,005
Depreciation expense for the year ended 31st December 2023	8,865	2,789	11,654

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Hal Balzan Local Council

Notes to the Financial Statements for the year ended 31 December 2023

Note

16 Leases - Continued

	2023	2022
	Eur	Eur
<i>Amounts recognised in the statement of comprehensive income</i>		
Depreciation expense on right-of-use assets	11,654	14,490
Interest expense on lease liabilities	2,861	3,451
Expense relating to short-term leases	2,150	2,000
<i>Lease liabilities</i>		
Non-current	75,013	83,374
Current	8,361	16,477
	<u>83,374</u>	<u>99,851</u>
<i>Maturity analysis</i>		
Not later than 1 year	8,361	16,477
Later than 1 year and not later than 5 years	47,262	48,940
Later than 5 years	27,751	34,434
	<u>83,374</u>	<u>99,851</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 Hal Balzan Local Council (the “Council”) set out on pages 2 to 22 which comprise the statement of financial position as at 31 December 2023, 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 material 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 2023, 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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Malta

29 April 2024