

## MARSA LOCAL COUNCIL

### ANNUAL REPORT AND FINANCIAL STATEMENTS For the year ended 31 December 2023

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Certified Public Accountant  
On behalf of Parker Russell Turner  
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MARSA LOCAL COUNCIL

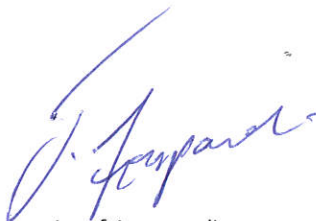
STATEMENT OF LOCAL COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S RESPONSIBILITIES  
For the year ended 31 December 2023

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The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's comprehensive income for the year and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at 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 council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on 21 February 2024 and signed on its behalf by :



Josef Azzopardi  
Mayor



Edward Spiteri Audibert  
Executive Secretary

MARSA LOCAL COUNCIL  
 STATEMENT OF TOTAL COMPREHENSIVE INCOME  
 For the year ended 31 December 2023

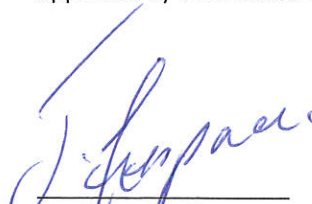
	Notes	2023 €	2022 As restated €	2022 As original €
<b>INCOME</b>				
Funds received from Central Government	3	<b>895,334</b>	994,439	994,439
Income raised under Local Council Bye-Laws	4	-	11	11
Income raised under Local Enforcement System	5	<b>4,461</b>	4,852	4,852
General Income	6	<b>25,564</b>	23,790	23,790
		<b>925,359</b>	1,023,092	1,023,092
<b>EXPENDITURES</b>				
Personal emoluments	7	<b>185,121</b>	174,499	174,499
Operations and maintenance	8	<b>661,653</b>	469,038	469,038
Administration and other expenses	9	<b>154,984</b>	453,631	422,268
		<b>1,001,758</b>	1,097,168	1,065,805
<b>OPERATING (DEFICIT) FOR THE YEAR</b>		<b>(76,399)</b>	(74,076)	(42,713)
Finance cost	10	<b>(7,092)</b>	(9,565)	(9,565)
<b>(DEFICIT) FOR THE YEAR</b>	7	<b>(83,491)</b>	(83,641)	(52,278)

The notes on pages 6 to 25 form an integral part of these financial statements.

MARSA LOCAL COUNCIL  
STATEMENT OF FINANCIAL POSITION  
As at 31 December 2023

		2023	2022	2022
	Notes	€	As restated €	As original €
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Intangible asset	11	1,172	2,345	2,345
Property, plant and equipment	12	444,275	467,891	467,891
		<u>445,447</u>	<u>470,236</u>	<u>470,236</u>
<b>Current Assets</b>				
Inventories	13	322	322	322
Receivables	14	147,989	95,960	95,960
Cash and cash equivalents	15	178,515	201,883	201,883
		<u>326,826</u>	<u>298,165</u>	<u>298,165</u>
<b>TOTAL ASSETS</b>		<u>772,273</u>	<u>768,401</u>	<u>768,401</u>
<b>EQUITY AND LIABILITIES</b>				
<b>RESERVES</b>				
Retained Fund		<u>324,613</u>	<u>408,104</u>	<u>439,467</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings	17	<u>138,971</u>	<u>158,356</u>	<u>158,356</u>
<b>CURRENT LIABILITIES</b>				
Payables	16	289,204	183,277	151,914
Short-term borrowings	17	19,485	18,664	18,664
		<u>308,689</u>	<u>201,941</u>	<u>170,578</u>
<b>TOTAL LIABILITIES</b>		<u>442,635</u>	<u>360,297</u>	<u>328,934</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>772,273</u>	<u>768,401</u>	<u>768,401</u>

The notes on pages 6 to 25 form an integral part of these financial statements. These financial statements were approved by the Council on 15<sup>th</sup> February 2024.

  
Josef Azzopardi  
Mayor

  
Edward Spiteri Audibert  
Executive Secretary

MARSA LOCAL COUNCIL  
STATEMENT OF CHANGES IN EQUITY  
For the year ended 31 December 2023

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	<b>Retained Funds</b>
	<b>EUR</b>
<b>Year Ended 31 December 2022</b>	
Balance as at 1 January 2022	491,745
Surplus for the year – As restated	(83,641)
Balance as at 31 December 2022	<u>408,104</u>
<b>Year Ended 31 December 2023</b>	
Balance as at 1 January 2023	<b>408,104</b>
Deficit for the year	<b>(83,491)</b>
<b>Balance as at 31 December 2023</b>	<b><u>324,613</u></b>

MARSA LOCAL COUNCIL  
STATEMENT OF CASH FLOWS  
For the year ended 31 December 2023

	Notes	2023 €	2022 €
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
(Deficit) for the year		(83,491)	(83,641)
Reconciliation to cash generated from operations:			
Depreciation		31,620	57,345
Amortisation		1,173	1,428
Operating (loss) before working capital changes		(50,698)	(24,868)
(Increase) in receivables		(52,029)	(52,299)
Increase/ (decrease) in payables		105,927	(377,086)
<b>NET CASH FLOW GENERATED FROM/ (USED IN) OPERATING ACTIVITIES</b>		<b>3,200</b>	<b>(454,253)</b>
<b>CASH FLOWS GENERATED FROM/ (USED IN) INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(62,400)	(325,728)
Receipt of grants		54,396	375,429
<b>NET CASH GENERATED FROM/ (USED IN) INVESTING ACTIVITIES</b>		<b>(8,004)</b>	<b>49,701</b>
<b>CASH FLOWS USED IN FINANCIAL ACTIVITIES</b>			
Repayment of borrowings		(18,564)	(17,799)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(18,564)</b>	<b>(17,799)</b>
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>		<b>(23,368)</b>	<b>(422,351)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>201,883</b>	<b>624,234</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	15	<b>178,515</b>	<b>201,883</b>

**1. GENERAL INFORMATION**

Marsa Local Council is the local authority of Marsa incorporated in accordance with the Local Councils Act, 1993. The office of the Council is situated at Pont San Tumas, Marsa. These financial statements were approved for issue by the Council Members on. The Local Council's presentation as well as functional currency is dominated in €.

**2. ACCOUNTING POLICIES AND REPORTING PROCEDURES**

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

**ACCOUNTING CONVENTION**

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

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 as adopted by the EU 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.

**STANDARDS, AMENDMENTS, AND INTERPRETATIONS TO EXISTING STANDARDS**

The new and revised standards that became effective for annual periods beginning on or after 1 January 2023 made several minor amendments to a number of IFRSs. None of the changes to IFRSs and interpretations has had, or is expected to have, a material impact on the council's financial statements.

**NEW AND AMENDED STANDARDS ADOPTED BY THE LOCAL COUNCIL**

Information on new standards, amendments and interpretations that are relevant to the Council's financial statements is provided below. Certain other new standards and interpretations not listed below have been issued but are not relevant and therefore are not expected to have any impact on the Council's financial statements.

The Council started to adopt the new accounting pronouncements which have become effective this year, and are as follows:

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practise Statement2)

These amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy.

These amendments do not have a significant impact on these financial statements and therefore the disclosures have not been made.

## 2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

### Disclosure of changes on accounting estimates (Amendments to IAS 8)

These amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

These amendments do not have a significant impact on these financial statements and therefore the disclosures have not been made.

### IFRS 17 Insurance Contracts

IFRS 17 ‘Insurance Contracts’ has become effective from 1 January 2023. The standard requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts.

These amendments do not have a significant impact on these financial statements and therefore the disclosures have not been made.

### **NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE.**

At the date of authorisation of these financial statements, several new, but not effective Standards and amendments to existing standards, and Interpretations have been published by the IASB. None of these standards or amendments to existing standards have been adopted early by the Local Council. These are the following:

On 23 January 2020, the IASB issued ‘Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)’ providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place of the reporting date. The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

On 31 October 2023, the IASB issued amendments to IAS 1, that clarifies how conditions with which an entity must comply within twelve months after the reporting period effect the classification of a liability. The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

On 22 September 2022, the IASB issued amendments to IFRS 16. These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted. The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

On 25 May 2023, the IASB issued amendments to IAS 7. These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity’s liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB’s response to investors’ concerns that some companies’ supplier finance arrangements are not sufficiently visible, hindering investors’ analysis. The amendments are effective for annual reporting periods beginning on or after 1 January 2024.



## 2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

The Councillors and Executive Secretary anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of pronouncement. 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 financial statements.

### 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.

### LOCAL ENFORCEMENT SYSTEM

Up till August 2011, the Council used to manage the Local Enforcement System as part of the Valletta Joint Committee. As from 1 September 2011, the Council started to form part of the Southern Region which took over the management of Local Enforcement System and the Council is receiving a 10% administration fee on every fine paid at the Council. As from October 2015 LESA took over the administration of the Local Enforcement System.

### GOVERNMENT GRANTS

Government grants relating to operating expenditure are recognised in the Statement of Comprehensive Income in the same period that the related expenditure is incurred.

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

### INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

### INTANGIBLE ASSETS

In line with IAS 38, intangible assets are initially recorded at cost and are subsequently stated at cost less amortisation. Amortisation to write off the cost is calculated on a monthly basis using the straight line method.

	%
Computer software	25 - 100

**2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)**

**PROPERTY, PLANT AND EQUIPMENT**

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

	%
Land	0
Trees	0
Buildings	1
Office furniture and fittings	7.5 - 100
Construction works	10 - 100
Urban improvements (street furniture)	10 - 100
Special projects	10 - 100
Office equipment	20 - 100
Motor vehicles	20
Plant and machinery	20 - 100
Computer equipment	25 - 100
Plants	100
Litter bins	100
Playground furniture	100
Traffic signs	100
Road signs	100
Street mirrors	100
Street lights	100

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Freehold land, land held on perpetual emphyteusis and assets in the course of construction are not depreciated.

Directive issued in 2017 by the Department of Local Councils, applicable as from 1 January 2018, instructs the Council to depreciate non-current assets on a monthly basis using straight line method at the rates specified in the Local Council (Financial) Procedures (P1.X1).

Gains and Losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are considered 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 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.

## 2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

### IMPAIRMENT OF ASSETS

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

### RECEIVABLES

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

### LEASES

For any new contracts entered into on or after 1 January 2019, the Local Council considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Local Council assesses whether the contract meets three key evaluations which are

- a) whether the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Local Council.
- b) The Local Council has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract .
- c) The Local Council has the right to direct the use of the identified asset throughout the period of use. The Local Council assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

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

The Local Council depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Local Council also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Local Council measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

## 2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

### Short-term leases and leases of low-value assets

The Local Council has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

### RELATED PARTIES

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard 24.

### SURPLUSES AND DEFICITS

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.

### CASH AND CASH EQUIVALENTS

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

### 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.

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

#### 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).

## 2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

### FINANCIAL INSTRUMENTS (continued)

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 cash equivalents, and most receivables fall into this category of financial instruments.

#### Impairment of financial assets

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

The Local Council considers a broad 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.

## 2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

### FINANCIAL INSTRUMENTS (continued)

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 payables.

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'.

### CAPITAL MANAGEMENT

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

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

To achieve the above, the Council carries out quarterly review of the working capital ratio (Financial Situation Indicator). This ratio was positive at the reporting date and has not changed significantly from the previous year. The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

### CRITICAL ACCOUNTING 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 Executive Secretary, the accounting estimates and judgements made in the preparation of the financial statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS 1 (revised) - 'Presentation of Financial Statements'.

MARSA LOCAL COUNCIL  
 Financial Statements for the year ended 31 December 2023  
 Notes to the Financial Statements

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**3 FUNDS RECEIVED FROM CENTRAL GOVERNMENT**

	2023	2022
	€	€
In terms of section 55 of the Local Councils Act	624,437	616,892
Belt Kulturali 2022 grant	-	199,000
Income in relation to refund of Marsa racecourse waste costs	237,971	45,108
Other Government income	32,926	133,439
	<u>895,334</u>	<u>994,439</u>

**4 INCOME RAISED FROM BYE-LAWS**

	2023	2022
	€	€
Income from bye-laws	-	11
	<u>-</u>	<u>11</u>

**5 LOCAL ENFORCEMENT SYSTEM**

	2023	2022
	€	€
LES administration fee	3,682	4,801
Les contraventions	779	51
	<u>4,461</u>	<u>4,852</u>

**6 GENERAL INCOME**

	2023	2022
	€	€
Community services	191	280
Donations	1,600	3,000
Contributions	4,112	1,053
Income from permits	19,661	19,457
	<u>25,564</u>	<u>23,790</u>

MARSA LOCAL COUNCIL  
Financial Statements for the year ended 31 December 2023  
Notes to the Financial Statements

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**7 DEFICIT FOR THE YEAR**

	2023	2022
	€	€
<b>Deficit for the year is stated after charging:</b>		
Staff Salaries	185,121	174,499
Depreciation on tangible assets	31,620	57,345
Amortisation on intangible assets	1,173	1,428
<b>Staff salaries</b>		
<b>Personal emoluments include, inter alia:</b>		
Mayor's remuneration	16,003	15,516
Allowances	17,800	17,800
Executive secretary salary and allowances	40,516	49,287
Employees' salaries	99,036	81,741
Social security contributions	11,766	10,155
	<u>185,121</u>	<u>174,499</u>

**8 OPERATIONS AND MAINTENANCE**

	2023	2022
	€	€
<b>Repair and upkeep:</b>		
Road and street pavements (patching works)	12,794	42,392
Street signs	2,101	94
Road markings	13,967	9,557
Office repairs	29,410	36,243
	<u>58,272</u>	<u>88,286</u>
<b>Contractual Services:</b>		
Refuse and household waste collection and tipping fees	127,924	99,754
Collection of illegal dumping	40,454	-
Bulky refuse collection	11,562	13,571
Road and street collection	96,399	116,906
Cleaning and maintenance of public conveniences	7,680	19,901
Cleaning and maintenance of parks and gardens	34,189	36,906
Cleaning and maintenance of verges / non-urban	31,086	29,281
Waste and cleaning costs of Marsa racecourse area	237,971	45,108
Street lighting costs	16,116	19,325
	<u>603,381</u>	<u>380,752</u>
Total	<u>661,653</u>	<u>469,038</u>



MARSA LOCAL COUNCIL  
Financial Statements for the year ended 31 December 2023  
Notes to the Financial Statements

**9 ADMINISTRATION AND OTHER EXPENSES**

	2023	2022
	€	€
Utilities	19,798	17,263
Office services	5,832	6,127
Transport	2,875	2,113
Information services	8,495	12,000
Other contractual services	17,207	20,340
Insurance	7,031	7,803
Staff uniforms	136	139
Professional services	1,416	2,096
Legal disputes	859	558
Rent	700	700
Community and hospitality	53,773	77,405
Belt Kulturali 2022 cultural expenses	-	239,256
Depreciation on tangible assets	31,620	57,345
Amortisation on intangible assets	1,173	1,428
Office Expenditure and Repairs -	4,069	9,058
	<b>154,984</b>	<b>453,631</b>

**10 FINANCE COST**

	2023	2022
	€	€
Interest payable from banks	7,092	9,565

**11 INTANGIBLE ASSET**

	2023	2022
	€	€
<b>Cost</b>		
As at 1 <sup>st</sup> January	9,868	9,868
Addition for the year	-	-
As at 31 <sup>st</sup> December	9,868	9,868
<b>Depreciation</b>		
As at 1 <sup>st</sup> January	7,523	6,095
Amortisation for the year	1,173	1,428
As at 31 <sup>st</sup> December	8,696	7,523
<b>Net Book Value</b>		
As at 31 <sup>st</sup> December	1,172	2,345

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**12 PROPERTY, PLANT AND EQUIPMENT**

ASSET	Assets under Construction	Office furniture & fittings	Buildings	New Street signs	Office Equipment	Computer equipment	Motor Vehicle	Plant & Machinery	Urban Improvements & Construction	Special Programmes	Total
	€	€	€	€	€	€	€	€	€	€	€
<b>COST</b>											
As at January 2023	1,100	160,909	337,132	15,046	35,447	14,229	42,260	69,421	1,194,306	1,467,556	3,337,406
Additions	-	58,433	-	-	-	1,742	2,225	-	-	-	62,400
As at 31 December 2023	1,100	219,342	337,132	15,046	35,447	15,971	44,485	69,421	1,194,306	1,467,556	3,399,806
<b>GRANTS &amp; OTHER REIMBURSEMENTS</b>											
As at 1 January 2023	-	-	-	-	-	-	34,250	19,800	376,051	702,184	1,132,285
Additions for the year	-	48,055	-	-	-	-	6,341	-	-	-	54,396
As at 31 December 2023	-	48,055	-	-	-	-	40,591	19,800	376,051	702,184	1,186,681
<b>ACCUMULATED DEPRECIATION</b>											
As at 1 January 2023	-	104,479	28,931	15,046	34,619	13,057	1,532	45,391	808,230	685,945	1,737,230
Charge for the year	-	11,096	3,371	-	-	-	-	1,080	235	15,838	31,620
As at 31 December 2023	-	115,575	32,302	15,046	34,619	13,057	1,532	46,471	808,465	701,783	1,768,850
<b>NET BOOK VALUE</b>											
As at 31 December 2023	1,100	55,712	304,830	-	828	2,914	2,362	3,150	9,790	63,589	444,275

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**12 PROPERTY, PLANT AND EQUIPMENT**

ASSET	Assets under Construction	Office furniture & fittings	Buildings	New Street signs	Office Equipment	Computer equipment	Motor Vehicle	Plant & Machinery	Urban Improvements & Construction	Special Programmes	Total
	€	€	€	€	€	€	€	€	€	€	€
<b>COST</b>											
As at January 2022	75,906	156,214	337,132	15,046	34,921	14,229	38,940	69,421	1,194,306	1,075,563	3,011,678
Additions	-	4,695	-	-	526	-	3,320	-	-	317,187	325,728
Reclassification	(74,806)	-	-	-	-	-	-	-	-	74,806	-
As at 31 December 2022	1,100	160,909	337,132	15,046	35,447	14,229	42,260	69,421	1,194,306	1,467,556	3,337,406
<b>GRANTS &amp; OTHER REIMBURSEMENTS</b>											
As at 1 January 2022	-	-	-	-	-	-	23,250	19,800	376,051	337,755	756,856
Additions for the year	-	-	-	-	-	-	11,000	-	-	364,429	375,429
As at 31 December 2022	-	-	-	-	-	-	34,250	19,800	376,051	702,184	1,132,285
<b>ACCUMULATED DEPRECIATION</b>											
As at 1 January 2022	-	93,600	25,560	15,046	32,772	11,160	262	44,311	785,918	671,256	1,679,885
Charge for the year	-	10,879	3,371	-	1,847	1,897	1,270	1,080	22,312	14,689	57,345
As at 31 December 2022	-	104,479	28,931	15,046	34,619	13,057	1,532	45,391	808,230	685,945	1,737,230
<b>NET BOOK VALUE</b>											
As at 31 December 2022	1,100	56,430	308,201	-	828	1,172	6,478	4,230	10,025	79,427	467,891

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**13 INVENTORIES**

	<b>2023</b>	2022
	€	€
Lapel badges / sets for resale	<u>322</u>	322

**14 RECEIVABLES**

	<b>2023</b>	2022
	€	€
Receivables (note 1)	3,599	23,530
Les debtors (note 2)	-	-
Other receivables	799	799
Accrued Income	141,112	68,695
<b>Financial Assets</b>	<u>145,510</u>	<u>93,024</u>
Prepayments	2,479	2,936
<b>Total Receivables</b>	<u>147,989</u>	<u>95,960</u>

Note 1: General receivables are analysed as follows:

	<b>2023</b>	2022
	€	€
Within Credit period	146,385	76,578
Exceeded credit period but not impaired	1,604	19,382
Impaired and provided for	7,930	7,930
Provision for doubtful debts	(7,930)	(7,930)
	<u>147,989</u>	<u>95,960</u>

Note 2: LES Debtors are stated after a specific provision for doubtful debts amounting to Eur 95,446 (2021: Eur 95,446).

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

	<b>2023</b>	2022
	€	€
LES Debtors	95,446	95,446
Provision for Doubtful Debts	<u>(95,446)</u>	<u>(95,446)</u>
	-	-

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**15 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	<b>2023</b>	2022
	€	€
<b>Bank balances:</b>		
Ordinary funds	<b>178,269</b>	194,290
Cash in hand	<b>246</b>	7,593
	<b>178,515</b>	201,843

**16 PAYABLES**

	<b>2023</b>	2022
	€	€
Financial liabilities		
Payables and other payables	<b>194,563</b>	43,239
Accruals	<b>73,308</b>	118,705
Financial liabilities	<b>267,871</b>	161,944
Deferred income	<b>21,333</b>	21,333
Total current liabilities	<b>289,204</b>	183,277

**17 BORROWINGS**

	<b>2023</b>	2022
	€	€
Non-Current		
Bank borrowings	<b>138,971</b>	158,356
Current		
Bank borrowings	<b>19,485</b>	18,664
Repayable within one year	<b>19,485</b>	18,664
Repayable between two and five years	<b>88,353</b>	84,931
Repayable between five years and more	<b>50,618</b>	73,425
	<b>158,456</b>	177,020

The two bank loans are secured by First General Hypothec over the assets of the Council and by a letter of undertaking by the Government of Malta to channel funds due to the Council. The loans bears interest at 4.15% (2021: 4.15%) per annum and are repayable over 20 years by monthly instalments of €1,682 and €456 respectively.

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**18 CAPITAL COMMITMENTS**

	<b>2023</b>	<b>2022</b>
	€	€
Details of capital commitments are as follows;		
Approved but not yet contracted for	<b>28,000</b>	<b>28,000</b>
Approved and contracted for	-	-
	<b>28,000</b>	<b>28,000</b>
Playing field	<b>28,000</b>	<b>28,000</b>

**19 RELATED PARTY TRANSACTIONS**

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

Name of Entity	Nature of relationship
Department for Local Government	Significant Control
South Eastern Regional Committee	Joint Control
Police General Head Quarters	No Control
Central Regional Committee	No Control
South Regional Committee	No Control
Gozo Regional Committee	No Control
North Regional Committee	No Control
Malta Environment and Planning Authority	No Control
Water Services Corporation	No Control
Enemalta Corporation	No Control
Cleansing Services Department	No Control
Director General – Works Division	No Control
Department of Lands	No Control
Bank of Valletta Plc	No Control
Wasteserv Malta Limited	No Control
Transport Malta	No Control
Local enforcement system agency	No Control

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

	<b>2023</b>	<b>2022</b>
Annual financial allocation	<b>€ 624,437</b>	€ 616,892

**20 FINANCIAL RISK MANAGEMENT**

The Council's activities expose it to a variety of financial risks such as market risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance.

**CREDIT RISK**

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and debtors. The Council's cash is placed with a quality financial institution with a credit rating of BBB+. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. The risk of default is negligible for both bank and debtors and hence there are no expected credit losses.

The council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period and is summarised as follows:

		<b>2023</b>	<b>2022</b>
		€	€
Classes of financial assets – carrying amounts:	Notes		
Trade and Other Receivables	14	<b>147,989</b>	<b>95,960</b>
Cash and Cash Equivalents	15	<b>178,513</b>	<b>201,883</b>
		<b>326,502</b>	<b>297,843</b>

**20 FINANCIAL RISK MANAGEMENT – continued**

LIQUIDITY RISK

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact at year end, the Council has as cash and cash equivalents the amount of €201,883. This should ensure ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net current asset position of € 127,587 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

At 31 December 2023 the Council's financial liabilities have contractual maturities which are summarised below:

	<b>Current</b>	<b>Non Current</b>	
	Payable within 1 year	Payable within 2 & 5 years	Payable after more than 5 years
	€	€	€
31 December 2023			
Payables	<b>194,563</b>	-	-
Accruals	<b>73,308</b>	-	-
Bank Borrowings	<b>19,485</b>	<b>88,353</b>	<b>50,618</b>
	<b>287,356</b>	<b>88,353</b>	<b>50,618</b>
31 December 2022			
Payables	43,239	-	-
Accruals	118,705	-	-
Bank Borrowings	18,664	84,931	73,425
	180,608	84,391	73,425

FOREIGN CURRENCY RISK

Foreign currency transactions arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Council does not trade in any foreign currencies.

INTEREST RATE RISK

Interest rate risk mainly arises through interest bearing liabilities and assets. The objective of interest rate risk management is to optimise the balance between minimising uncertainty caused by fluctuations in interest rates and maximising the net interest income and expense.



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**21 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES**

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

		<b>2023</b>	2022
		€	€
<b>Current Assets</b>	Notes		
Loans and Receivables:			
Trade and Other Receivables	14	<b>147,989</b>	95,960
Cash and Cash Equivalents	15	<b>178,513</b>	201,883
		<b>326,502</b>	297,843
<b>Current Liabilities</b>			
Financial Liabilities measure at amortised cost:			
Payables	16	<b>194,563</b>	43,239
Accruals	16	<b>73,308</b>	118,705
Bank Borrowings	17	<b>19,485</b>	18,664
		<b>287,356</b>	180,608

**22 FAIR VALUES ESTIMATION**

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

**23 EVENTS AFTER THE REPORTING PERIOD**

There were no particular important event or transactions affecting the council that have occurred since the end of the accounting period, which, though properly excluded from the financial statements, are of such importance that they should have been disclosed in the notes to the financial statements.

**24 GOING CONCERN**

The statement of financial position on page 3 and the notes thereto, with special reference to capital commitments, suggest that going concern assumption used in the preparation of these financial statements is dependent on further sources of funds other than the annual financial allocation by Central Government, on the collection of debts due to the Council and on the continued support of the Council's creditors. Any adverse change in either of these assumptions above, would not let the Council able to meet its financial obligations as they all due without curtailing its future commitments.

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**25. PRIOR YEAR ADJUSTMENT**

During the year, it was noted that expenses in relation to Belt Kulturali 2022 amounting to € 31,363 were not accounted for in 2022. These expenses were invoiced in 2023 by the suppliers and should have been reported as expenses for 2022 with the corresponding accruals shown in the statement of financial position.

These errors have been accounted for retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The errors has effected the Statement of Comprehensive Income and the Statement of Financial Position as follows:

	Notes	2022 Prior €	Adjustment €	2022 Restated €
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Intangible asset	11	2,345	-	2,345
Property, plant and equipment	12	467,891	-	467,891
		<b>470,236</b>	<b>-</b>	<b>470,236</b>
<b>Current Assets</b>				
Inventories	13	322	-	322
Receivables	14	95,960	-	95,960
Cash and cash equivalents	15	201,883	-	201,883
		<b>298,165</b>	<b>-</b>	<b>298,165</b>
<b>TOTAL ASSETS</b>		<b>768,401</b>	<b>-</b>	<b>768,401</b>
<b>EQUITY AND LIABILITIES</b>				
<b>RESERVES</b>				
Retained Fund		439,467	(31,363)	408,104
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings	17	158,356	-	158,356
<b>CURRENT LIABILITIES</b>				
Payables	16	151,914	31,363	183,277
Short-term borrowings	17	18,664	-	18,664
		<b>170,578</b>	<b>31,363</b>	<b>201,941</b>
<b>TOTAL LIABILITIES</b>		<b>328,934</b>	<b>31,363</b>	<b>360,297</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>768,401</b>	<b>-</b>	<b>768,401</b>