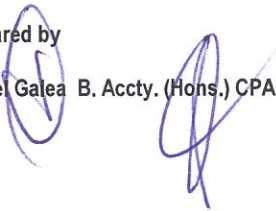


**LOCAL COUNCILS' ASSOCIATION**

**Annual Report  
and  
Financial Statements**

**for the year ended 31 December 2023**

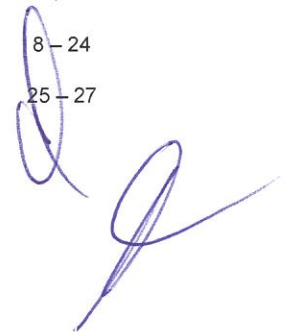
Prepared by  
Daniel Galea B. Accty. (Hons.) CPA



**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2023**

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A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke extending to the right.

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

**Statement of Executive Committee 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 Association's statement of comprehensive income for the year and a statement of the Association's retained funds at the end of year. By virtue of the same regulations it is the duty of the Committee Members 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 Association for the year and its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, and the Local Councils (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 Councils (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Local Councils' Association on the 22nd February 2024 and was signed on its behalf by:



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Mario Fava  
President



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Lianne Cassar  
Executive Secretary

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2023

		2023 €	2022 €
	<i>Notes</i>		
<b>Income</b>			
Funds received from Central Government	4	490,000	475,000
EU Funded projects		182	-
General Income	5	<u>1,283,785</u>	<u>1,631,271</u>
		<u>1,773,967</u>	<u>2,106,271</u>
<b>Expenditure</b>			
Personal emoluments	7	(214,480)	(200,783)
Administrative and other expenditure	8	<u>(1,540,812)</u>	<u>(1,713,051)</u>
		<u>(1,755,292)</u>	<u>(1,913,834)</u>
<b>Operating surplus for the year</b>		18,675	192,437
Finance income	9	13,885	4,317
Finance cost	10	(5,835)	(3,934)
<b>Total comprehensive surplus for the year</b>		<u>26,725</u>	<u>192,820</u>


The notes on pages 8 to 24 are an integral part of the financial statements.

**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2023

	Notes	2023 €	2022 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	299,461	301,018
Intangible assets	12	5,459	8,136
Right of use assets	22	6,188	38,472
		<u>311,108</u>	<u>347,626</u>
<b>Current assets</b>			
Receivables	13	537,236	769,986
Cash and cash equivalents	14	1,503,944	2,445,917
		<u>2,041,180</u>	<u>3,215,903</u>
<b>Total assets</b>		<u><u>2,352,288</u></u>	<u><u>3,563,529</u></u>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Retained fund		<u>1,659,119</u>	<u>1,632,394</u>
<b>Non-current liabilities</b>			
Lease liabilities	16,22	<u>-</u>	<u>6,168</u>
<b>Current Liabilities</b>			
Lease liabilities	16,22	<u>7,275</u>	<u>30,878</u>
Payables	15	<u>685,894</u>	<u>1,894,089</u>
		<u>693,169</u>	<u>1,924,967</u>
<b>Total equity and liabilities</b>		<u><u>2,352,288</u></u>	<u><u>3,563,529</u></u>

These Financial Statements were approved by the Local Councils' Association on the 22nd February 2024 and signed on its behalf by:

  
 \_\_\_\_\_  
 Mario Fava  
 President

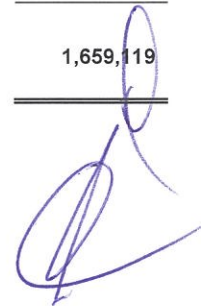
  
 \_\_\_\_\_  
 Lianne Cassar  
 Executive Secretary

The notes on pages 8 to 24 are an integral part of the financial statements.

**STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2023

	Retained funds €
At 1 January 2022	1,439,574
Total comprehensive surplus for the year 2022	192,820
	<hr/>
At 31 December 2022	1,632,394
	<hr/> <hr/>
At 1 January 2023	1,632,394
Total comprehensive surplus for the year 2023	26,725
	<hr/>
At 31 December 2023	1,659,119
	<hr/> <hr/>



The notes on pages 8 to 24 are an integral part of the financial statements.

**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2023

		2023 €	2022 €
	<i>Note</i>		
<b>Cash flows from Operating Activities</b>			
<b>Total comprehensive surplus for the year</b>		<b>26,725</b>	192,820
Reconciliation to cash generated from operations:			
Depreciation and amortisation	6, 11, 12	32,671	30,535
Depreciation on Right-of-use asset	6, 22	29,817	29,197
Gain on disposal of asset	8	(1,896)	(980)
Interest income	9	(13,885)	(4,317)
Interest expense	10	5,835	3,934
Operating Profit before Working Capital Changes		<u>79,267</u>	251,189
Interest received		13,885	4,317
Decrease/(Increase) in receivables		233,258	(146,012)
(Decrease)/Increase in payables		<u>(1,108,034)</u>	260,426
<b>Cash (used in)/generated from operating activities</b>		<u><b>(781,624)</b></u>	<u>369,920</u>
<b>Cash flows from Investing Activities</b>			
Purchase of property, plant & equipment	11	(123,819)	(135,744)
Purchase of intangible assets		-	(3,217)
<b>Cash used in investing activities</b>		<u><b>(123,819)</b></u>	<u>(138,691)</u>
<b>Cash flows from Financing Activities</b>			
Lease payments	22	(36,530)	(34,530)
<b>Cash used in financing activities</b>		<u><b>(36,530)</b></u>	<u>(34,530)</u>
Net movement in Cash and Cash Equivalents		<b>(941,973)</b>	196,429
Cash and Cash Equivalents at the Beginning of the year		<u>2,445,917</u>	<u>2,249,488</u>
<b>Cash and Cash Equivalents at the End of the year</b>	14	<u><b>1,503,944</b></u>	<u>2,445,917</u>

The notes on pages 8 to 24 are an integral part of the financial statements.

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

**1. General Information**

Local Councils' Association is a local and regional authority set up in accordance with the Local Councils Act, (Cap 363) and the Local Councils (Association) Regulations (Cap 363.06). The office of the Local Councils' Association is situated at Local Government Building, Local Government Road, Marsa Industrial Estate, Marsa, Malta. These financial statements were approved for issue by the Association's Members on the 22nd February 2024. The Association's presentation as well as functional currency is denominated in €.

**2. Material Accounting Policies**

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

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

*Accounting convention*

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

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).

*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 Association's financial results or position.

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

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

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

*Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Association*

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 Association and no Interpretations have been issued that are applicable and need to be taken into consideration by the Association.

Other Standards and amendments that are not yet effective and have not been adopted early by the Association 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.

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



**Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**

**Accounting Policies and Reporting Procedures**

*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:

	%
Office Furniture and Fittings	7.5
Office Equipment	20.0
Computer Equipment	25.0

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 Association 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.

Assets not yet capitalised represent costs incurred on projects of the Association which are still not finalised and is stated at cost. These include landscaping and a custom made Customer Care IT system. Costs included under assets not yet capitalised will be transferred to Computer Software and Improvements to Premises upon completion. The account is not depreciated until such time that the asset is completed and available for use.

*Intangible assets*

Intangible assets include acquired computer software. It is accounted for using the cost model whereby capitalised cost is amortised on a straight-line basis over its estimated useful life, as this asset is considered finite. Residual value and useful life are reviewed at each reporting date. In addition, it is subject to impairment testing.

The following rate is applied:

	%
Computer Software	25

Acquired computer software is capitalised on the basis of the costs incurred to acquire and install the specific software. Fully amortised assets are retained in the accounts until these are no longer in use and no further charge for amortisation is made in respect of those asset.

*Leases*

*The Association as a lessee*

At inception of a contract, the Association 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 in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Association 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 the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The Association has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Association has the right to direct the use of the asset. The Association 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 Association has the right to direct the use of the asset if either:
  - The Association has the right to operate the asset; or
  - The Association designed the asset in a way that predetermines how and for what purpose it will be used.

**Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**

**Accounting Policies and Reporting Procedures (cont.)**

*Leases (cont.)*

At inception or on reassessment of a contract that contains a lease component, the Association 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 Association has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Association 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 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 Association's incremental borrowing rate. Generally, the Association 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 Association is reasonably certain to exercise., lease payments in an optional renewal period if the Association is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Association 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 Association's estimate of the amount expected to be payable under a residual value guarantee or if the Association 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 Association presents separately right-of-use assets in the Statement of Financial Position

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

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

*The Association as a lessor*

As a lessor, the Association classifies its leases as either operating or finance leases. The Association assessed whether it transfers substantially all the risks and rewards of ownership. Those assets that do not transfer substantially all the risks and rewards are classified as operating leases.

Rental income is accounted for on a straight-line basis over the lease term and is recognised as an income in the Statement of Comprehensive Income.

**Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**

**Accounting Policies and Reporting Procedures (cont.)**

*Impairment of non financial assets*

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.

*Receivables*

Receivables 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 receivables are established when there is objective evidence that the Association will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Comprehensive Income.

*Government Grants*

Government grants relating to administrative and other expenditure are recognized 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.

*Other payables*

Other payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material in which case trade and other payables are measure at amortised cost using the effective interest method.

*Financial instruments*

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Association 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)
- fair value through other comprehensive income (FVOCI).

The Association 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 Statement of Comprehensive Income are presented within 'finance costs', 'finance income' or 'other financial items'.

Subsequent measurement of financial assets

**Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**

**Accounting Policies and Reporting Procedures (cont.)**

*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 Association'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 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 Association first identifying a credit loss event. Instead, the Association considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

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

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

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

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

**Classification and measurement of financial liabilities**

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

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Association 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 Statement of Comprehensive Income are included within 'finance costs' or 'finance income'.

*Related parties*

Related parties are those persons or bodies of persons having relationships with the Association as defined in International Accounting Standard No. 24.



**Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**

**Accounting Policies and Reporting Procedures (cont.)**

*Income recognition*

Income is recognised at the fair value of the amount received or receivable, to the extent that it is probable that future economic benefits will flow to the Association and these can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount.

Government grants are recognised when there is reasonable assurance that all conditions attaching to them are complied with and the grants will be received. Government grants related to income are recognised in profit or loss over the periods necessary to match them with the related costs which are intended to compensate, on a systematic basis. Such grants are presented as an income in the Statement of Comprehensive Income.

*Local Enforcement income*

Local Enforcement income represents the income as it accrues from contraventions as controlled by the Local Enforcement System (L.E.S.). The Local Councils' Association does not form part of any Joint Committee. The function of the Association within the system is to manage the bank account in which the LES Online receipts are deposited and then distribute the paid contraventions to the various Local Councils. The amounts disclosed in the financial statements under Local Enforcement payables is the net of the cash held at the bank, into which the LES Online deposits are credited and the amount of contravention receipts, so credited, that were not yet distributed by year end. The notes within the cash and cash equivalents and payables further illustrate the situation.

*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.

*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.

*Capital Management*

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

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

To achieve the above, the Association carries out a 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 Association also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

**3. Judgments in applying accounting policies and key sources of estimation**

The preparation of financial statements in conformity with IFRS as adopted by the EU requires the Association to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In the opinion of the Association, 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.

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)

**4. Funds received from Central Government**

	2023 €	2022 €
In terms of Section 55 of the Local Councils Act, 1993 (Cap 363)	<u>490,000</u>	<u>475,000</u>

**5. General income**

	2023 €	2022 €
Reimbursement of travel expenses	1,183	34,639
Reimbursement of insurance expenses	155,854	135,675
Registration fees from local conferences	300	21,300
Organic waste collection income	546,608	1,040,551
LES management fees	301,086	261,576
Other management fees	50,000	50,000
Other income	228,754	87,530
	<u>1,283,785</u>	<u>1,631,271</u>

**6. Surplus for the year**

	2023 €	2022 €
Surplus for the year is stated after charging		
Staff salaries	214,480	200,783
Depreciation and amortisation	32,671	30,535
Depreciation on right-of-use asset	29,817	29,197
	<u>276,968</u>	<u>260,515</u>

**7. Personal emoluments**

	2023 €	2022 €
President's Allowance	22,158	21,484
Elected Officers' Allowances	32,498	31,510
Executive secretary salary and allowances	44,573	45,731
Employees' salaries	102,854	96,720
Social security contributions	12,397	11,150
	<u>214,480</u>	206,595
Reclassification of payroll costs to EU Projects	<u>214,480</u>	(5,812)
	<u>214,480</u>	<u>200,783</u>

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)

**8. Administrative and other expenditure**

	2023	2022
	€	€
Utilities	8,221	6,445
Repair and upkeep	16,618	4,708
National and international memberships	9,172	7,470
Office services	16,370	21,038
Travelling costs	29,822	19,856
Refundable tickets	1,183	34,640
Transport	15,188	4,819
Information services	41,411	32,507
Organic waste collection	546,688	1,022,836
Other contractual service	182,338	132,607
Bank charges	1,338	2,061
Training	5,764	138
Conferences	64,197	129,891
Community & hospitality	541,911	235,283
Gain on disposal of property, plant & equipment	(1,896)	(980)
Depreciation on right of use assets	29,816	29,197
Depreciation and amortisation	32,671	30,535
	<u>1,540,812</u>	<u>1,713,051</u>

**9. Finance Income**

	2023	2022
	€	€
Bank Interest	<u>13,885</u>	<u>4,317</u>

**10. Finance cost**

	2023	2022
	€	€
Lease interest	<u>5,835</u>	<u>3,934</u>

**Notes to the Financial Statements for the year ended 31 December 2023 (cont.)****11. Property, plant and equipment**

	Office furniture and fittings	Office equipment	Computer equipment	Assets not yet capitalised	Total
	€	€	€	€	€
<b>Cost</b>					
At 1 January 2023	280,155	84,431	39,338	43,167	447,091
Additions	112,720	3,796	7,303	-	123,819
<b>At 31 December 2023</b>	<b>392,875</b>	<b>88,227</b>	<b>46,641</b>	<b>43,167</b>	<b>570,910</b>
<b>Depreciation</b>					
At 1 January 2023	41,234	57,037	32,703	-	130,974
Charge for the year	15,946	10,818	3,230	-	29,994
Released on disposal	(1,896)	-	-	-	(1,896)
<b>At 31 December 2023</b>	<b>55,284</b>	<b>67,855</b>	<b>35,933</b>	<b>-</b>	<b>159,072</b>
<b>Grants</b>					
At 1 January 2023	-	-	-	15,099	15,099
Additions	97,278	-	-	-	97,278
Reclassification	15,099	-	-	(15,099)	-
<b>At 31 December 2023</b>	<b>112,377</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>112,377</b>
<b>Net Book values</b>					
<b>At 31 December 2023</b>	<b>225,214</b>	<b>20,372</b>	<b>10,708</b>	<b>43,167</b>	<b>299,461</b>
<b>Cost</b>					
At 1 January 2022	140,370	73,356	34,368	65,476	313,570
Additions	118,549	11,075	6,120	-	135,744
Disposal	-	-	(1,150)	-	(1,150)
Reclassification	21,236	-	-	(22,309)	(1,073)
<b>At 31 December 2022</b>	<b>280,155</b>	<b>84,431</b>	<b>39,338</b>	<b>43,167</b>	<b>447,091</b>
<b>Depreciation</b>					
At 1 January 2022	28,697	45,359	30,234	-	104,290
Charge for the year	12,537	11,678	3,499	-	27,714
Released on disposal	-	-	(1,030)	-	(1,030)
<b>At 31 December 2022</b>	<b>41,234</b>	<b>57,037</b>	<b>32,703</b>	<b>-</b>	<b>130,974</b>
<b>Grants</b>					
Additions	-	-	-	15,099	15,099
<b>At 31 December 2022</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,099</b>	<b>15,099</b>
<b>Net Book values</b>					
<b>At 31 December 2022</b>	<b>238,921</b>	<b>27,394</b>	<b>6,635</b>	<b>28,068</b>	<b>301,018</b>



Notes to the Financial Statements for the year ended 31 December 2023 (cont.)

12. Intangible assets

	Computer software €
<b>Cost</b>	
At 1 January 2023	14,089
At 31 December 2023	<u>14,089</u>
<b>Depreciation</b>	
At 1 January 2023	5,953
Charge for the year	2,677
At 31 December 2023	<u>8,630</u>
<b>Net Book Value</b>	
At 31 December 2023	<u><u>5,459</u></u>

	Computer software €
<b>Cost</b>	
At 1 January 2022	9,799
Additions	3,217
Reclassification from Assets not yet capitalised	1,073
At 31 December 2022	<u>14,089</u>
<b>Depreciation</b>	
At 1 January 2022	3,132
Charge for the year	2,821
At 31 December 2022	<u>5,953</u>
<b>Net Book Value</b>	
At 31 December 2022	<u><u>8,136</u></u>

Amortisation of intangible assets is recognised in administrative and other expenditure.

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)

**13. Receivables**

	2023	2022
	€	€
<b>Current</b>		
Other receivables	3,879	21,935
Prepayments	30,371	22,848
Accrued income	54,506	86,021
Refundable expenditure in respect to EU and other Projects	394,678	633,675
Law Enforcement Receivable - Note 15.1	53,802	5,507
	<u>537,236</u>	<u>769,986</u>

Included in the accounts receivable are amounts due from related parties amounting to €569 (2022 : €21,935). These amounts are unsecured, interest free and repayable on demand.

Refundable expenditure is stated net of provision for bad debts of €52,482 (2022: €52,482).

**14. Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand and at bank. Cash and cash equivalents in the statement of Cash Flows comprise of the following amounts in the Association's Statement of Financial Position:

	2023	2022
	€	€
Cash at bank		
Current and savings accounts	1,653,879	2,497,383
LES savings accounts	2,670,476	1,412,726
Cash in hand	65	6
	<u>4,324,420</u>	<u>3,910,115</u>
(less) LES savings account transferred to payables	(2,670,476)	(1,412,726)
(less) Regional Committees/Local Councils funds transferred to payables	(150,000)	(51,472)
Local Councils' Association's cash & cash equivalents	<u>1,503,944</u>	<u>2,445,917</u>

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)

**15. Payables**

	2023	2022
	€	€
<b>Current</b>		
Accounts payable	71,427	243,221
Other payables	508	6,574
Accruals	22,872	78,035
Deferred income	582,754	1,557,926
Deferred rental income	8,333	8,333
	<u>685,894</u>	<u>1,894,089</u>

Included in the accounts payable are €7,477 (2022: €5,862) due to related parties. These amounts are unsecured, interest free and repayable on demand.

**15.1 Law Enforcement System receivable**

	2023	2022
	€	€
LES savings account	2,670,476	1,412,726
Amount distributable to Law Enforcement	(2,616,674)	(1,407,219)
	<u>53,802</u>	<u>5,507</u>

**15.2 Regional Committees/Local Councils funds**

	2023	2022
	€	€
Regional Committees/Local Councils bank accounts	150,000	51,472
Amount distributable to Regional Committees/Local Councils	(150,000)	(51,472)
	<u>-</u>	<u>-</u>

**16. Lease liabilities**

	2023	2022
	€	€
Lease Liabilities - Note 22	7,275	37,046
	<u>7,275</u>	<u>37,046</u>

**17. Ultimate controlling party**

The ultimate controlling party is the Department of Local Government within the Ministry for National Heritage, Culture and Local Government. The individual financial statements of the Association are included with the consolidated financial statements of the Government of Malta.

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)

**18. Capital commitments**

	2023	2022
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	<u>710,000</u>	<u>685,000</u>
(i) Approved but not yet contracted for:		
Office Furniture and fittings	30,000	30,000
Computer Equipment	30,000	5,000
Office equipment	5,000	5,000
Lift	45,000	45,000
Parking Area	<u>600,000</u>	<u>600,000</u>
	<u><u>710,000</u></u>	<u><u>685,000</u></u>

These will be financed from the Association's Own Funds.

**19. Contingent Liability**

The Association is subject to a judicial letter filed by Mr John Mary sive Jimmy Magro, filed on the 7th of August 2017. No further action was taken to date.

The Association is subject to a case in front of the PCRB in which the PCRB is requested to declare that a contract signed by the Government of Malta, Enemalta plc and the Association is ineffective. At this stage, no request for damages has been made.

**20. Related Party Transactions**

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Government	Significant control
Airmalta plc	No control
Bank of Valletta plc	No control
Office of the Prime Minister	No control
Data Commissioner	No control
Malta Industrial Parks	No control

During the course of the year, the Association entered into transactions with related parties which are related through common ultimate controlling party.

The amounts due from / to related parties at year-end are disclosed in notes 13 and 15. The terms and conditions do not specify the nature of the consideration to be provided in settlement. These amounts are unsecured, interest free and repayable on demand.

*Key Management compensation*

The Association considers the President, Elected Officers and the Executive Secretary to be Key Management Personnel.

**Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**

**20. Related Party Transactions (cont.)**

Transactions with key management personnel are disclosed in note 7.

	Related party activity €	2023 Total activity €	%	Related party activity €	2022 Total activity €	%
<i>Income</i>						
Transactions with central government	490,000			475,000		
Transactions with government entities	529,840			284,051		
Transactions with local councils	156,154			212,231		
	<u>1,175,994</u>	<u>1,808,607</u>	<u>65</u>	<u>971,282</u>	<u>2,115,270</u>	<u>46</u>
<i>Expenditure</i>						
Transactions with central government	20,875			18,875		
Transactions with government entities	44,044			59,882		
Key personnel remuneration	101,931			102,391		
	<u>166,850</u>	<u>1,790,542</u>	<u>9</u>	<u>181,148</u>	<u>1,937,573</u>	<u>9</u>

**21. Fair value of financial assets and financial liabilities**

At 31 December 2023 and at 31 December 2022, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively, approximated their fair values due to the short term maturities of these assets and liabilities. The fair values of non-current financial assets and non-current financial liabilities are not materially different from their carrying amount.

**22. Leases**

The Association sub-leased parts of its premises to two related parties during this year for €20,000 and €24,600 each per annum respectively and expires on 31 December 2023 and 16 April 2024. Rental income recognised in 2023 amount to €44,600 (2022: €44,600).

**Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**

**22. Leases (cont.)**

'Property, plant and equipment' comprises owned and leased assets that do not meet the definition of investment property. The Association leases assets including land and buildings and motor vehicles. Information about leases for which the Association is a lessee is presented below.

	2023	2022
	€	€
Property, plant and equipment owned	299,461	301,018
Right-of-use assets, except for investment property	6,188	38,472
	<u>305,649</u>	<u>339,490</u>

**Right-of-use assets**

2023	Property	Vehicles	Total
Balance at 1 January	27,583	10,889	38,472
Adjustment	(1,849)	(619)	(2,468)
Depreciation charge for the year	(19,900)	(9,916)	(29,816)
Balance at 31 December	<u>5,834</u>	<u>354</u>	<u>6,188</u>

2022	Property	Vehicles	Vehicles
Balance at 1 January	47,483	20,186	67,669
Depreciation charge for the year	(19,900)	(9,297)	(29,197)
Balance at 31 December	<u>27,583</u>	<u>10,889</u>	<u>38,472</u>

	2023	2022
	€	€
Lease liabilities		
<b>Maturity analysis - contractual undiscounted cash flows</b>		
Less than one year	7,275	34,270
One to five years	-	12,176
Total undiscounted lease liabilities at 31 December	<u>7,275</u>	<u>46,446</u>
Current	7,275	30,878
Non-current	-	6,168
Lease liabilities included in the statement of financial position at 31 December	<u>7,275</u>	<u>37,046</u>

**Amounts recognised in Statement of Comprehensive Income**

Interest on lease liabilities - Note10	(5,835)	(3,934)
Income from sub-leasing right-of-use assets	44,600	44,600

**Amounts recognised in the Statement of Cash Flows**

Total cash outflow for lease	(38,530)	(34,530)
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LOCAL COUNCILS' ASSOCIATION

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)

23. Financial Risk Management

The contracted maturity of financial liabilities is as follows:

2023	0-90 days	91-180 days	180-365 days	Total
	€	€	€	€
Payables	71,427	-	-	71,427
Accruals	22,872	-	-	22,872
Lease liabilities	7,275	-	-	7,275
Other payables	508	-	-	508
	<u>102,082</u>	<u>-</u>	<u>-</u>	<u>102,082</u>
<b>2022</b>	<b>0-90 days</b>	<b>91-180 days</b>	<b>180-365 days</b>	<b>Total</b>
	€	€	€	€
Payables	243,221	-	-	243,221
Accruals	78,035	-	-	78,035
Lease liabilities	37,046	-	-	37,046
Other payables	6,574	-	-	6,574
	<u>364,876</u>	<u>-</u>	<u>-</u>	<u>364,876</u>

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

Where applicable, any significant changes in the Association's exposure to financial risks or manner in which the Association manages and measures these risks are disclosed below.

Where possible, the Association aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of the risk exposure associated with financial instruments sharing similar characteristics is disclosed in more details in the notes to the financial statements.

*Categories of Financial Instruments*

	2023	2022
	€	€
<i>Financial assets at amortized costs</i>		
Cash and cash equivalents	1,503,944	2,445,917
Receivables	<u>506,865</u>	<u>747,138</u>
<i>Financial liabilities at amortized costs</i>		
Payables	102,082	364,876

*Credit risk*

Financial assets which potentially subject the Local Councils' Association to concentrations of credit risk consist principally of cash and cash equivalents and receivables. The Local Councils' Association's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Local Councils' Association has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to receivables is monitored continuously and the Local Councils' Association places a provision on any debt on which there is doubt of recoverability.

**Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**

**23. Financial Risk Management (cont.)**

The Association does not have any receivables which are past due at the end of the reporting period.

*Liquidity Risk*

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Local Councils' Association'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 Local Councils' Association 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 Local Councils' Association has as cash and cash equivalents the amount of €1,503,944. This should ensure an ongoing working capital of the Local Councils' Association for the next 12 months. The Association also maintains a positive current net asset position of €1,348,011 (2022: €1,290,936) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

*Foreign Currency Risk*

Foreign currency transactions arise when the Local Councils' Association buys or sells goods/services whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Local Councils' Association does not trade in any foreign currency transactions.

*Interest Rate Risk*

The Local Councils' Association operates bank accounts without any financing facilities. As a result, the Local Councils' Association is not exposed to cash flow interest rate risk on bank balances.

*Market risks*

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks. The Local Councils' Association is not exposed to Market Risks.

*Other risks*

The Local Councils' Association's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Local Councils' Association to cash flow interest rate risk. In general, the Local Councils' Association is not exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows in view of the nature of the assets and liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.

