



KUNSILL REGJONALI PUNENT

**Annual Report
and
Financial Statements**

for the year ended 31 December 2023

Prepared by

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ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2023

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**Statement of Regional Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2023**

The Local Government (Financial) Regulations, 1993 require the Executive Secretary to prepare a detailed annual administrative report which includes the Regional Council's statement of comprehensive income for the year and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the Regional Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Regional Councils, the income and expenditure of the Regional Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Government (Financial) Regulations, 1993 and the Local Government (Financial) Procedures, 1996 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, the Local Government (Financial) Regulations, 1993, and the Local Government (Financial) Procedures, 1996. The Executive Secretary is also responsible for safeguarding the assets of the Regional Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Punent Regional Council on the 18th April 2024 and signed on its behalf by

Sandro Azzopardi
President

Tania Farrugia
Acting Deputy Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

		2023 €	2022 €
	<i>Notes</i>		
INCOME			
Funds received from Central Government	4	583,332	583,332
General Income	5	1,766,533	56,819
		<u>2,349,865</u>	<u>640,151</u>
EXPENDITURE			
Personnel emoluments	7	(239,357)	(132,175)
Operations and maintenance	8	(2,189,311)	(20,708)
Administration and other expenditure	9	(153,628)	(84,281)
		<u>(2,582,296)</u>	<u>(237,164)</u>
Operating (Deficit)/surplus for the year		(232,431)	402,987
Finance income	10	-	6
(Deficit) /Surplus for the year		<u>(232,431)</u>	<u>402,993</u>

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

		2023	2022
		€	€
ASSETS	<i>Note</i>		
Non-Current Assets			
Property, plant and equipment	11	<u>22,648</u>	16,093
		<u>22,648</u>	16,093
Current Assets			
Receivables	12	<u>1,100,691</u>	1,243
Cash and Cash Equivalents	13	<u>1,165,288</u>	555,795
		<u>2,265,979</u>	557,038
Total Assets		<u><u>2,288,627</u></u>	<u>573,131</u>
EQUITY AND LIABILITIES			
Reserves			
Retained funds		<u>170,562</u>	402,993
		<u>170,562</u>	402,993
Current Liabilities			
Payables	14	<u>1,108,156</u>	51,303
Deferred income	14	<u>1,009,909</u>	118,835
		<u>2,118,065</u>	170,138
Total Equity and Liabilities		<u><u>2,288,627</u></u>	<u>573,131</u>

These financial statements were approved by the Regional Council on 18th April 2024 and signed on its behalf by:

Sandro Azzopardi
 President

Tania Farrugia
 Acting Deputy Executive Secretary

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Retained Funds €
At 1 January 2022	-
Total comprehensive surplus for the year	402,993
	<hr/>
At 31 December 2022	402,993
	<hr/> <hr/>
At 1 January 2023	402,993
Total comprehensive deficit for the year	(232,431)
	<hr/>
At 31 December 2023	170,562
	<hr/> <hr/>

STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023	2022
	€	€
	Note	
Cash flows from Operating Activities		
Total comprehensive (deficit) / surplus for the year	(232,431)	402,993
Adjustments for:		
Interest receivable	-	(6)
Depreciation	1,788	770
Operating (Deficit)/Surplus before Working Capital Changes	(230,643)	403,757
Increase in Receivables	(1,099,448)	(1,243)
Increase in Payables	1,947,927	170,138
Cash generated from operating activities	617,836	572,652
Cash flows from Investing Activities		
Purchase of Property, plant and equipment	(8,343)	(16,863)
Interest received	-	6
Cash used in investing activities	(8,343)	(16,857)
Net Increase in Cash and Cash Equivalents	609,493	555,795
Cash and Cash Equivalents at the Beginning of the Year	555,795	-
Cash and Cash Equivalents at the End of the Year	13 1,165,288	555,795

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

1. General Information

Regional Councils were previously referred to as Regional Committees, were established and set-up through the amendment of the Local Councils Act XIV in 2019 which recognised the Western (Punent) Regional Council as the 6th Region. The region was established in accordance with Article 37A(1) and in the Eleventh Schedule of the Local Government Act (CAP 363). The Western Region Council has under its jurisdiction ten Local Councils. These are Mdina, Zebbuġ, Siġġiewi, Dingli, Kirkop, Imqabba, Qrendi, Rabat, Safi and Żurrieq. The office of the Punent Regional Council is situated at Ċentru Kristu Ragħaj, 3rd Floor, The Archbishop's Seminary, Triq Tal-Virtu, Rabat, Malta.

These financial statements were approved for issue by the Regional Council Members on the 18th April 2024. The Regional Council's presentation as well as functional currency is denominated in €.

2. Accounting Policies and Reporting Procedures

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

(a) Accounting convention

These financial statements are prepared under the historical cost convention, 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 Government Act Cap. 363, the Financial Regulations issued in terms of this Act and the Local Government (Financial) Procedures 1996 enacted in Malta and with the requirements of 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 Government in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Government Act (Cap. 363).

(b) Standards, amendments and interpretations to existing standards

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 Regional Council's financial statements.

New and amended standards adopted by the Regional Council

Information on new standards, amendments and interpretations that are relevant to the Regional 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 Regional Council's financial statements.

The Regional 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.

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

2. Accounting Policies and Reporting Procedures (cont.)

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 Regional 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.

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 Regional Council financial statements.

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

2. Accounting Policies and Reporting Procedures (cont.)

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses to date. Depreciation is 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
Computer Equipment	25

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 Regional 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.

Assets not yet capitalised represents costs incurred on projects of the Regional Council 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 Special Programmes upon completion. The account is not depreciated until such time that the asset is completed and available for use.

(d) Leases

The Regional Council as a lessee

At inception of a contract, the Regional Council assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Regional Council assesses whether:

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

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

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

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

2. Accounting Policies and Reporting Procedures (cont.)

(d) Leases (cont.)

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 Regional Council's incremental borrowing rate. Generally, the Regional Council uses its incremental borrowing rate as the discount rate.

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

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

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

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

The Regional Council presents separately right-of-use assets in the statement of financial position

Short-term leases and leases of low-value assets

The Regional Council 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 Regional Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(e) 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.

(f) Amounts receivable

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

(g) 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 according to IAS20 as the Council adopted Directive 1/2017 issued by the Department of Local Council and are thus deducted from the carrying amount of the relative non-current asset. Depreciation will be accounted for on the resulting cost less grant.

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

2. Accounting Policies and Reporting Procedures (cont.)

(h) 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 measured at amortised cost using the effective interest method.

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds and the redemption value is recognised in the income and expenditure account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Regional Council has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

(j) Financial instruments

Recognition and derecognition

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

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

Classification and initial measurement of financial assets

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

Financial assets are classified into the following categories:

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

The Regional 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 Regional Council's cash and cash equivalents, and most receivables fall into this category of financial instruments.

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

2. Accounting Policies and Reporting Procedures (cont.)

Impairment of financial instruments

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

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

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

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

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

Classification and measurement of financial liabilities

The Regional Council'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 Regional 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'.

(k) Related parties

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

(l) 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.

(m) 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 Regional Council 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.

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

2. Accounting Policies and Reporting Procedures (cont.)

(n) 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' Regional Council does not form part of any Joint Committee. The Punent Regional Council is currently not involved in the L.E.S.

(o) 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.

(p) Capital Management

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

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

To achieve the above, the Regional Council 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 Regional 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.

New and amended standards adopted by the Regional Council

In the current year, the Regional Council has applied a number of new standards and amendments to IFRS issued by the International Accounting Standards Boards (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022.

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

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 Regional Council, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

4. Funds received from Central Government

	2023	2022
	€	€
In terms of section 55 of the Local Councils Act	583,332	583,332
	583,332	583,332

5. General Income

	2023	2022
	€	€
Refund of salaries	58,654	56,406
Waste collection and disposal	1,668,669	-
Other income	39,210	413
	1,766,533	56,819

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

6. Operating deficit/surplus for the year

	2023	2022
	€	€
Operating deficit/surplus for the year is stated after charging:		
Staff salaries	239,357	132,175
Depreciation of property plant & equipment and amortisation	1,788	770
	<u>239,357</u>	<u>132,175</u>

7. Personnel Emoluments

	2023	2022
	€	€
Personnel emoluments include, inter alia:		
President's Honoraria	22,158	21,484
Executive Secretary salary and allowances	40,745	37,336
Employee's Salaries	49,245	8,713
Regional Managers Salaries	110,421	56,406
Social Security Contributions	16,788	8,236
	<u>239,357</u>	<u>132,175</u>

8. Operations and Maintenance

	2023	2022
	€	€
Local Councils Schemes	93,809	20,708
Refuse collection and disposal	2,095,502	-
	<u>2,189,311</u>	<u>20,708</u>

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

9. Administrative and other expenditure

	2023	2022
	€	€
Utilities	1,043	20
Repairs and maintenance	2,656	3,520
Rent	1,500	699
National and International Memberships	1,152	860
Office Services	7,430	2,018
Travel	6,754	20,575
Transport	8,234	2,260
Insurance	1,007	154
Bank charges	627	258
Other contractual services	2,861	4,095
Professional Services	30,441	13,668
Public relations	15,012	10,207
Community and Hospitality	69,276	24,677
Training	3,847	500
Depreciation	1,788	770
	<u>153,628</u>	<u>84,281</u>

10. Interest income

	2023	2022
	€	€
Interest income	-	6
	<u>-</u>	<u>6</u>

PUNENT REGIONAL COUNCIL

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

11. Property, plant and equipment

	Office Equipment €	Computer Equipment €	Furniture & Fittings €	Asset not yet capitalised €	Total €
Cost					
At 1 January 2023	1,570	416	12,911	1,966	16,863
Additions for the year	1,049	-	7,294	-	8,343
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2023	2,619	416	20,205	1,966	25,206
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 January 2023	129	69	572	-	770
Charge for the year	507	104	1,177	-	1,788
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2023	636	173	1,749	-	2,558
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Grants					
At 1 January 2023	-	-	-	-	-
Reclassification	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2023	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net Book values					
At 31 December 2023	1,983	243	18,456	1,966	22,648
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

PUNENT REGIONAL COUNCIL

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

11. Property, plant and equipment

	Asset under construction €	Office Equipment €	Computer Equipment €	Furniture & Fittings €	Total €
Cost					
At 1 January 2022	-	-	-	-	-
Additions for the year	1,966	1,570	416	12,911	16,863
At 31 December 2022	<u>1,966</u>	<u>1,570</u>	<u>416</u>	<u>12,911</u>	<u>16,863</u>
Depreciation					
At 1 January 2022	-	-	-	-	-
Charge for the year	-	129	69	572	770
At 31 December 2022	<u>-</u>	<u>129</u>	<u>69</u>	<u>572</u>	<u>770</u>
Grants					
At 1 January 2022	-	-	-	-	-
Reclassification	-	-	-	-	-
At 31 December 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Book values					
At 31 December 2022	<u><u>1,966</u></u>	<u><u>1,441</u></u>	<u><u>347</u></u>	<u><u>12,339</u></u>	<u><u>16,093</u></u>

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

12. Receivables

	2023	2022
	€	€
Other receivables	1,085,750	-
Prepayments and accrued income	1,412	1,243
Deferred expenses	13,529	-
	<u>1,100,691</u>	<u>1,243</u>

Receivables

General receivables are analysed as follows:

	2023	2022
	€	€
Within credit period	<u>1,100,691</u>	<u>1,243</u>

There was a balance of €1,085,750 (2022 - €0) due from related parties.

13. Cash & cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts.

	2023	2022
	€	€
Bank Balance	1,165,088	555,771
Cash in hand	200	24
	<u>1,165,288</u>	<u>555,795</u>

14. Payables

	2023	2022
	€	€
<u>Financial Liabilities</u>		
Trade payables (note a)	1,008,356	5,954
Wages payable	-	11,509
Accruals	99,800	33,840
	<u>1,108,156</u>	<u>51,303</u>

	2023	2022
	€	€
<u>Non-Financial Liabilities</u>		
Other payables (note b)	418,730	-
Loan advances from Local Government Division (note c)	122,811	-
Funds received from Dept. for Local Governance as Grants in advance	468,368	118,835
	<u>1,009,909</u>	<u>118,835</u>
Total Payables	<u>2,118,065</u>	<u>170,138</u>

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

14. Payables (cont.)

- (a) The Regional Council had a balance of €614,819 (2022 - €0) due to related parties as at year end.
- (b) Other payables consist of a balance with the Department for Local Government representing the 70% of the annual waste allocation of the Western Local Councils. These funds were received by the Regional Council to assist with the cash flow requirements of the waste operation.
- (c) Loan advances from Local Government Division are unsecured, interest free and repayable on demand.

15. Capital Commitments

	2023	2022
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	97,500	197,500
(i) Approved but not yet contracted for:		
Office Furniture & fittings	7,500	7,500
Office Equipment	15,000	15,000
Computer Equipment	15,000	15,000
Computer Software	10,000	10,000
Restoration works - Regional Office	50,000	150,000
	97,500	197,500

The Regional Council will be benefitting from funds from DLG and LESA to finance some of the above mentioned capital commitments.

16. Contingent liability

The Regional Council 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 Regional Councils is ineffective. At this stage, no request for damages has been made.

17. Financial Risk Management

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

The most significant financial risks to which the Regional Council is exposed are described below.

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

17. Financial Risk Management (cont.)

Credit risk

Financial assets which potentially subject the Regional Council to concentrations of credit risk consist principally of cash at bank and debtors. The Regional Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Regional 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 Regional Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Regional Council has no significant concentration of credit risk.

Liquidity Risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Regional 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 Regional 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 Regional Council has as cash and cash equivalents the amount of €1,165,288. This should ensure an ongoing working capital of the Regional Council for the next 12 months. The Regional Council had a loss of €242,756 (2022 - profit of €402,993) during the year, and as at that date, the Regional Council had a net current asset position of €137,589 (2022 - €386,900).

Foreign Currency Risk

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

Interest Rate Risk

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

Other risks

Borrowings issued at variable rates expose the Regional Council to cash flow interest rate risk. In general, the Regional Council's exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows are not deemed to be substantial by the Executive Council Members and Executive Secretary 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.

Summary of financial assets and liabilities by category:

	2023	2022
	€	€
Current Assets		
Financial assets measured at amortised costs:		
Accounts and other receivables	1,087,750	-
Cash and Cash Equivalents	1,165,288	555,795
	<u>2,251,038</u>	<u>555,795</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	1,008,356	5,954
	<u>1,008,356</u>	<u>5,954</u>

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

18. Capital risk management

The Council's objectives when managing capital are to safeguard the Regional Council's ability to continue as a going concern so that it can continue to provide a service to the residents of the Regional Council by maintaining an optimal capital structure to reduce cost of capital.

The Regional Council's equity, as disclosed in the statement of financial position, constitutes its capital. The Regional Council's capital structure is monitored by the Executive Secretary and the Council with appropriate reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Regional Council's activities, the capital level as at the end of the reporting period is deemed adequate by the Regional Council.

19. Related party transactions

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Local Enforcement System Agency	No control
Local Councils of Malta and Gozo	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Arms Limited	No control
Police General Headquarters	No control
Airmalta plc	No control
Bank of Valletta plc	No control
Office of the Prime Minister	No control
Wasteserv	No control
Local Councils' Association	No control
Ministry for Resources and Rural Affairs	No control

Transactions were carried out with Central Government for the payment of the Government Allocation amounting to €583,332.

Transactions were carried out with other Local Councils and Government entities that do not have control over the Region. These mainly include various Local Councils in Malta and Gozo and Wasteserv and amount to €1,668,669 representing mainly schemes to Local Councils.

The amounts due from / to related parties at year-end are disclosed in notes 12 and 14. 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.

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

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Regional Council, directly or indirectly. The main key management personnel are the Major, Councillors and the Executive Secretary.

20. Fair values estimation

At 31 December 2023 and 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.

