



Eastern Regional Council

Annual Report and Financial Statements  
31 December 2023

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**Statement of Regional Council Members' and Executive Secretary's Responsibilities**

The Local Councils (Financial) Regulations 1993 require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Regional Council's comprehensive income for the year and of the Regional Council's retained funds at the end of the period. 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 Council (Financial) Regulations, 1993 and the Local Council (Financial) Procedures, 1996.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Council (Financial) Regulations 1993, and the Local Council (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 Regional Council on the 23 April 2024 and signed on its behalf by:



Anthony Chircop  
President



Jeanette Galea  
Executive Secretary

**Statement of profit or loss and other comprehensive income**

	Notes	2023	2022
		€	€
<b>Income</b>			
Funds received from Central Government	3	583,332	583,332
Income raised under Local Enforcement System	4	2,726	2,374
Income raised under Waste Management System	5	3,129,576	-
LESA reimbursement	6	129,913	229,187
General income	7	53,981	105,021
		<u>3,899,528</u>	<u>919,914</u>
<b>Expenditure</b>			
Personal emoluments	8	349,700	318,323
Direct operating expenses	9	3,632,673	3,698
Administrative and other expenditure	10	488,810	256,857
		<u>4,471,183</u>	<u>578,878</u>
<b>Operating (deficit)/surplus for the year</b>		<b>(571,655)</b>	<b>341,036</b>
Financial assistance to the local councils within the Regional Council		<u>(671,165)</u>	<u>(268,670)</u>
<b>Total comprehensive (loss)/income for the year</b>		<b><u>(1,242,820)</u></b>	<b><u>72,366</u></b>

The notes on pages 6 to 24 form an integral part of these financial statements

**Statement of financial position**

	Notes	2023	2022
		€	€
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	47,575	40,771
<b>Current assets</b>			
Receivables	12	1,128,539	46,716
Cash and cash equivalents	13	1,282,981	1,935,432
		2,411,520	1,982,148
<b>Total assets</b>		2,459,095	2,022,919
<b>EQUITY AND LIABILITIES</b>			
<b>Reserves</b>			
(Accumulated losses)/Retained earnings		(113,542)	1,129,278
<b>Total equity</b>		(113,542)	1,129,278
<b>Current liabilities</b>			
Borrowings	14	317,872	-
Payables	15	2,254,765	893,641
<b>Total liabilities</b>		2,572,637	893,641
<b>Total equity and liabilities</b>		2,459,095	2,022,919

These financial statements were approved by the Regional Council on the 23 April 2024 and are signed on its behalf by:



Anthony Chircop  
President



Jeanette Galea  
Executive Secretary

The notes on pages 6 to 24 form an integral part of these financial statements

**Statement of changes in equity**

	<b>Retained earnings/ (Accumulated losses)</b>	<b>Total</b>
	€	€
Balance at 1 January 2022	1,056,912	1,056,912
Total comprehensive income for the year	72,366	72,366
<b>Balance at 31 December 2022</b>	<b>1,129,278</b>	<b>1,129,278</b>
Balance at 1 January 2023	1,129,278	1,129,278
Total comprehensive loss for the year	(1,242,820)	(1,242,820)
<b>Balance at 31 December 2023</b>	<b>(113,542)</b>	<b>(113,542)</b>

The notes on pages 6 to 24 form an integral part of these financial statements

**Statement of cash flows**

	Notes	2023	2022
		€	€
<b>Cash flows from operating activities</b>			
(Deficit)/Surplus for the year		(1,242,820)	72,366
Adjustments for:			
Depreciation		11,220	8,045
Loss on disposal		159	190
Provision for bad debts (reversal)		(18,061)	12,369
		<u>(1,249,502)</u>	<u>92,970</u>
Surplus/(Deficit) for the year before working capital movements		(1,249,502)	92,970
Movement in receivables		(1,063,762)	48,828
Movement in payables		789,024	(99,847)
<b>Net cash (used in)/generated from operating activities</b>		<u>(1,524,240)</u>	<u>41,951</u>
<b>Cash flows from investing activities</b>			
Payment to acquire property, plant and equipment		(18,182)	(17,555)
<b>Cash used in investing activities</b>		<u>(18,182)</u>	<u>(17,555)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowing		317,872	-
<b>Cash generated from financing activities</b>		<u>317,872</u>	<u>-</u>
<b>Movement in cash and cash equivalents</b>		<u>(1,224,550)</u>	<u>24,396</u>
<b>Cash and cash equivalents at the beginning of the year</b>		<u>1,935,431</u>	<u>1,911,036</u>
<b>Cash and cash equivalents at the end of the year</b>	13	<u>710,881</u>	<u>1,935,432</u>

**Notes to the financial statements**  
**For the year ended 31 December 2023****1. Statutory Information**

The Eastern Regional Council, previously known as Central Regional Council, is the Regional Authority of the Eastern Region of Malta setup in accordance with the Local Councils Act, 1993 and legal notices 91 and 92 of 1993. Eastern Regional Council has been established under the provisions of Art 37A (1) of the Act in accordance with Legal Notice 320 of 2012 dated 5<sup>th</sup> August 2012. The Office of the Regional Council is situated at Mabruka, Triq ix-Xnien, San Ġwann, SGN1660, Malta. These financial statements were approved for issue by the Region Members on the 23 April 2024. The Regional Council's presentation as well as functional currency is denominated in Eur (€).

**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.

The Regional Council's management has concluded that the disclosure of the Regional Council's material accounting policies below are appropriate.

**a. Basis of preparation**

The financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap. 363). The financial statements are prepared under the historical cost convention, in accordance to the requirements of International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and comply with the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

**b. Use of estimates and judgements**

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

However, in the opinion of the Regional Council members, there are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

**2. Material accounting policies - continued****c. Application of new and revised international Financial Reporting Standards (IFRSs)****New or revised standards or interpretations****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 Regional Council's financial results or position.

Other standards and amendments that are effective for the first time in 2023 and could be applicable to the Regional Council are:

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

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

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

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

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

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

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

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

**2. Material accounting policies – continued**

have a material impact on the Regional Council's financial statements.

**d. Going concern**

The financial statements of the Council have been prepared under the assumption the Council operates on a going concern basis, which assumes the Council will be able to discharge its liabilities as they fall due.

Management has a reasonable expectation that the Council has and will have adequate resources to continue in operational existence for the foreseeable future.

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

**e. Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Regional Council and the revenue can be reliably measured, regardless of when the payment is received.

Interest income is recognised in the statement of profit or loss and other comprehensive income as it accrues under finance income.

**f. Functional and presentation currency**

Items included in the Regional Council's financial statements are measured using the currency of the primary economic environment in which the entity operates. The Regional Council's financial statements are presented in Euro, which is the Regional Council's functional currency.

**g. Income raised under Local Enforcement System**

Income from the Local Enforcement System is recognized in the statement of profit or loss and other comprehensive income as it accrues.

**2. Material accounting policies - continued****h. Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated on a monthly basis using the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives as follows:

• Office furniture and fittings	7.5%-10.72%
• Office equipment	20%
• Computer equipment	25%
• Plant and machinery	20%

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount, and are taken into account in determining operating profit.

An asset's carrying amount is written down immediately to its recoverable amount if it's carrying amount is greater than its estimated recoverable amount.

**i. Impairment of 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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

**j. Receivables**

Receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. Receivables are amounts mainly due from Government entities for services provided in the ordinary course of operations of the Regional Council. They are generally due for settlement within 30 days and therefore are classified as current. Receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Regional Council holds the receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

**2. Material accounting policies - continued****k. 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 cash in bank.

**l. Profits and losses**

Only profits that were realised at the date of the statement of financial position are recognized 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.

**m. Payables**

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

**n. Provisions**

Provisions are recognised when the Regional Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

**o. 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's 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'). 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.

**p. 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.

## 2. Material accounting policies - continued

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.

### p. Financial instruments – continued

#### 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 the statement of profit or loss and other comprehensive income 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.

**2. Material accounting policies - continued****p. Financial instruments – continued****Impairment of financial assets**

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

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

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

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

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

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

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 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'.

**2. Material accounting policies - continued****q. 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.

**r. Government grants**

Government grants relating to operating expenditure are recognised in the Statement of profit or loss and other 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.

**3. Funds received from Central Government**

	2023 €	2022 €
Government allocation	<u>583,332</u>	<u>583,332</u>

**4. Income raised under Local Enforcement System**

	2023 €	2022 €
Administration fees	<u>2,726</u>	<u>2,374</u>

**5. Income raised under Waste Management System**

	2023 €	2022 €
Mixed waste refuse collection charged to Local Councils	679,364	-
Organic waste collection charged to Wasteserv	1,012,765	-
Mixed waste tipping fees charged to Local Councils	839,982	-
Organic waste tipping fees charged to Local Councils	125,583	-
Extra collection commercial waste	471,882	-
	<u>3,129,576</u>	<u>-</u>

**6. LESA reimbursement**

	2023 €	2022 €
Reimbursement of payroll	129,913	97,962
Reimbursement of expenses	-	131,225
	<u>129,913</u>	<u>229,187</u>

**7. General income**

	2023 €	2022 €
Income from CIES Scheme	2,712	5,166
Sponsorships	21,751	-
Other reimbursement	11,457	87,486
Reversal of allowance for doubtful debts	18,061	12,369
	<u>53,981</u>	<u>105,021</u>

**8. Personal emoluments**

	2023 €	2022 €
<i>Key management personnel</i>		
President's honoraria	22,158	21,484
Executive Secretary salary and allowances	39,456	49,270
	<u>61,614</u>	<u>70,754</u>
<i>Operations personnel</i>		
Employees' salaries, overtime and allowances	261,995	224,135
Social security contributions	26,091	23,434
	<u>288,086</u>	<u>247,569</u>
	<u>349,700</u>	<u>318,323</u>

**Average number of people employed**

Executive Secretary	1	1
Employees	14	12
President and Council Members	13	13

**9. Direct operating expenses**

	2023	2022
	€	€
Warden services	-	403
Datatrak	3,923	2,357
Commission paid to collectors	1,460	938
Refuse collection	2,656,139	-
Tipping fees	971,151	-
	<u>3,632,673</u>	<u>3,698</u>

**10. Administrative and other expenditure**

	2023	2022
	€	€
Repairs and servicing	11,542	4,351
Rent	52,000	48,036
Professional fees	68,851	32,935
Utilities	7,680	8,429
National and international membership	31,405	28,998
Transport	2,880	1,075
Cleaning expenses	3,014	3,663
Office services	28,021	19,600
Information services	24,046	1,163
Bank charges	891	3,202
Insurance	3,009	2,230
Conference expenses	12,011	4,672
Training and uniforms	680	4,815
Travelling	4,838	3,781
Community services	-	1,278
Social and cultural activities	219,706	68,296
Disposal of assets	159	190
Depreciation	11,219	8,045
Sundry expenses	3,909	6,382
Entertainment	2,949	5,716
	<u>488,810</u>	<u>256,857</u>

**11a. Property, plant and equipment**

Asset	Office equipment €	Computer equipment €	Plant and machinery €	Office furniture and fittings €	Total €
<b>Cost</b>					
As at 1 January 2023	23,092	34,621	793	26,005	84,511
Additions	5,807	2,263	-	10,112	18,182
Disposal	(10,304)	(9,419)	-	(2,020)	(21,743)
As at 31 December 2023	18,595	27,465	793	34,097	80,950
<b>Accumulated depreciation</b>					
As at 1 January 2023	14,681	20,380	423	8,256	43,740
Charge for the year	3,419	5,200	158	2,443	11,220
Released on disposal	(10,146)	(9,419)	-	(2,020)	(21,585)
As at 31 December 2023	7,954	16,161	581	8,679	33,375
<b>Net book value</b>					
As at 31 December 2023	10,641	11,304	212	25,418	47,575

**11b. Property, plant and equipment**

Asset	Office equipment €	Computer equipment €	Plant and machinery €	Office furniture and fittings €	Total €
<b>Cost</b>					
As at 1 January 2022	20,928	23,335	793	23,503	68,559
Additions	2,164	12,889	-	2,502	17,555
Disposal	-	(1,603)	-	-	(1,603)
As at 31 December 2022	<u>23,092</u>	<u>34,621</u>	<u>793</u>	<u>26,005</u>	<u>84,511</u>
<b>Accumulated Depreciation</b>					
As at 1 January 2022	11,819	18,622	264	6,402	37,107
Charge for the year	2,862	3,170	159	1,854	8,045
Released on disposal	-	(1,412)	-	-	(1,412)
As at 31 December 2022	<u>14,681</u>	<u>20,380</u>	<u>423</u>	<u>8,256</u>	<u>43,740</u>
<b>Net book value</b>					
As at 31 December 2022	<u>8,411</u>	<u>14,241</u>	<u>370</u>	<u>17,749</u>	<u>40,771</u>

**12. Receivables**

	2023 €	2022 €
Receivables, net	382,721	14,314
Accrued income	706,233	4,955
<b>Financial assets at amortised cost</b>	<b>1,088,954</b>	<b>19,269</b>
Prepayments	38,574	27,447
Other receivables	1,011	-
<b>Total receivables</b>	<b>1,128,539</b>	<b>46,716</b>

The total financial assets for the year amounted to €1,088,954 (2022: €19,269).

The average credit period on sales of services is 60 days. Receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Regional Council has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

**Age of receivables that are past due but not impaired**

	2023 €	2022 €
60-90 days	313,856	11,812
91-120 days	68,865	2,502
Total	<b>382,721</b>	<b>14,314</b>

**Movement in the allowance for doubtful debts**

	2023 €	2022 €
Balance at beginning of the year	1,958,944	1,971,314
Decrease in provision for LES debtors	(18,061)	(12,370)
Balance at end of the year	<b>1,940,883</b>	<b>1,958,944</b>

In determining the recoverability of a receivable, the Regional Council considers any change in the credit quality of the receivable from the date credit was initially granted up to the end of the reporting period.

**12. Receivables - continued**

The impairment loss on receivables is included in administrative expenses in the statement of profit or loss and other comprehensive income.

LES receivables are stated net of a provision for doubtful debts of €1,940,883 (2022: €1,958,944).

**13. Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents included in the statement of financial position and statement of cash flows include the following components:

	2023 €	2022 €
Bank balances:		
Ordinary funds	1,282,673	1,935,147
Cash in hand	308	285
Cash and cash equivalents in the statement of financial position	<u>1,282,981</u>	<u>1,935,432</u>
Bank balance overdrawn	<u>(572,100)</u>	<u>-</u>
Cash and cash equivalents in the statement of cash flow	<u>710,881</u>	<u>1,935,432</u>

**14. Borrowings**

	2023 €	2022 €
Loan due to LGD	<u>317,872</u>	<u>-</u>

This amount is unsecured, interest-free and repayable on demand.

**15. Payables**

	2023 €	2022 €
Payables	342,766	7,561
Other payables	866,397	865,243
Accruals	93,502	15,570
Bank balance overdrawn	572,100	-
<b>Financial liabilities measured at amortised cost</b>	<u>1,874,765</u>	<u>888,374</u>
Deferred income	380,000	5,267
<b>Total payables</b>	<u>2,254,765</u>	<u>893,641</u>

**15. Payables – continued**

The total financial liabilities for the year amounted to €1,874,765 (2022: €888,374)

Included in payables are amounts due to related parties amounting to €15 (2022: €8). These amounts are unsecured, interest-free and repayable on demand.

Other payables include funds received for specific projects that have been deferred and will be reflected on recognition of expenditure or forwarded to the Local Councils within the region, as follows:

	2023 €	2022 €
At 1 January	251,754	251,754
Accrued funds receivable	-	-
	<u>251,754</u>	<u>251,754</u>
Funds utilized by Region	(242,257)	(242,257)
	<u>9,497</u>	<u>9,497</u>

**16. Capital commitments**

The Regional Council has a commitment to distribute the funds of the ESC Plan and Community Innovation Fund as per respective contract agreements signed with the relevant beneficiaries and partners. Funds at year end amount to €9,497 (2022: €9,497) and are included with other payables in note 16.

**17. Related party transactions**

During the year, the Regional Council had affected transactions with related parties resulting mainly in connection with income and administrative transactions, are disclosed in notes 3, 4, 5, 6, 7, 8, 9, 10, 12, 14 and 15 to these financial statements. The following were the related parties:

<b>Name of Entity</b>	<b>Nature of relationship</b>
Department of Local Councils	Significant Control
Local Enforcement Systems Agency	Joint Control
ARMS Ltd	No Control
Bank of Valletta plc	No Control
Local Councils' Association	No Control
Department of Inland Revenue	No Control
Malta Information Technology Agency (MITA)	No Control
Commissioner of Police	No Control
Datatrak	No Control
Guard & Warden Services	No Control

**17. Related party transactions – continued**

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

	2023 €	2022 €
Income from Department of Local Councils	<u>583,332</u>	<u>583,332</u>

**Key management compensation**

Transactions with key management personnel are disclosed in note 8.

**18. Financial risk management**

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

**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. ECL are therefore negligible, and in this respect the Regional Council has no significant concentration of credit risk. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified ECL was immaterial.

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

	2023 €	2022 €
Classes of financial assets – carrying amounts:		
Financial assets at amortised cost:		
Receivables	1,088,954	19,269
Cash and cash equivalents	1,282,981	1,935,432
	<u>2,371,935</u>	<u>1,954,701</u>

**18. Financial risk management – continued*****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 in bank and in hand the amount of €1,282,981. This should ensure an ongoing working capital of the Regional Council for the next 12 months.

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

**At 31 December 2023**

	Current Within 1 year	Non-current 1 to 5 years	Later than 5 years
	€	€	€
Payables	342,766	-	-
Other payables	866,397	-	-
Loans due to LGD	317,872	-	-
Accruals	93,502	-	-
Bank balances overdrawn	572,100	-	-
	<u>2,192,637</u>	<u>-</u>	<u>-</u>

This compares to the maturity of the Regional Council's financial liabilities in the previous reporting period as follows:

**At 31 December 2022**

	Current Within 1 year	Non-current 1 to 5 years	Later than 5 years
	€	€	€
Payables	7,561	-	-
Other payables	865,243	-	-
Accruals	15,570	-	-
	<u>888,374</u>	<u>-</u>	<u>-</u>

## 18. Financial risk management – continued

**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 currencies.

**Interest rate risk**

Interest rate risk mainly arises through interest bearing liabilities and assets. The objectives of interest rate risk management are to optimise the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense. The Regional Council is not exposed to interest rate risk as it does not have borrowings with variable interest rates.

## 19. Summary of financial assets and liabilities

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

	2023 €	2022 €
<b>Current assets</b>		
Financial assets at amortised cost:		
Receivables	601,036	19,269
Cash and cash equivalents	1,282,981	1,935,432
	<u>1,884,017</u>	<u>1,954,701</u>
<b>Current liabilities</b>		
Financial liabilities measured at amortised costs:		
Payables	342,766	7,561
Other payables	866,397	865,243
Loan due to LGD	317,872	-
Accruals	93,502	15,570
Bank balances overdrawn	572,100	-
	<u>2,192,637</u>	<u>888,374</u>

## 20. Fair values estimation

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

**21. Events after reporting date**

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of approval of the financial statements by the Regional Council Members.