



REĠJUN NOFSINHAR
SOUTHERN REGIONAL COUNCIL

SOUTHERN REGIONAL COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2024

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SOUTHERN REGIONAL COUNCIL

Annual report and financial statements for the year ended 31 December 2024

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SOUTHERN REGIONAL COUNCIL

Statement of Regional Council Members' and Executive Secretary's Responsibilities for the year ended 31 December 2024

The Local Councils (Financial) Regulations 1993 require the Executive Secretary to prepare a detailed annual administrative report which included the Regional Council's Statement of Comprehensive Income for the year and of the Regional 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 the Local Councils, the income and expenditure of the Council for the year, its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, and the Local Council (Financial) Procedures issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, the Local Council (Financial) Regulations and the Local Councils (Financial) Procedures. 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 21 May 2025 and signed on its behalf by:

Jesmond Aquilina
President

Mariella Strout
Executive Secretary

SOUTHERN REGIONAL COUNCIL

Statement of Comprehensive Income for the year ended 31 December 2024

	Notes	2024 €	2023 €
Revenue			
Funds received from central government	3	666,665	583,332
Income raised from local enforcement system	4	496	1,027
Reimbursements	5	91,303	310,243
General income	6	5,163,596	2,942,463
		<u>5,922,060</u>	<u>3,837,065</u>
Expenditure			
Personnel emoluments	7	(414,191)	(390,450)
Operations and maintenance	8	(4,439,031)	(3,663,463)
Administration and other expenditure	9	(102,637)	(130,438)
		<u>(4,955,859)</u>	<u>(4,184,351)</u>
Operating surplus/(deficit) for the year		966,201	(347,286)
Financial assistance within the Regional Council	10	(152,504)	(183,663)
Total comprehensive income/(loss) for year		813,697	(530,949)

The notes on pages 6 to 22 form an integral part of these financial statements.

SOUTHERN REGIONAL COUNCIL

Statement of Financial Position as at 31 December 2024

	Notes	2024 €	2023 €
Assets			
<i>Non current assets</i>			
Property, plant and equipment	11	<u>70,146</u>	73,689
<i>Current assets</i>			
Trade and other receivables	12	<u>1,900,355</u>	992,247
Cash and cash equivalents	13	<u>3,941,440</u>	2,588,523
		<u>5,841,795</u>	3,580,770
Total assets		<u><u>5,911,941</u></u>	3,654,459
Equity and liabilities			
<i>Reserves</i>			
Retained earnings		<u>1,709,145</u>	895,448
<i>Current liabilities</i>			
Trade and other payables	14	<u>3,231,053</u>	1,787,268
Short-term borrowings	15	<u>971,743</u>	971,743
Total liabilities		<u>4,202,796</u>	2,759,011
Total equity and liabilities		<u>5,911,941</u>	3,654,459

The notes on pages 6 to 22 form an integral part of these financial statements.

These financial statements were approved and authorised for issue by the Southern Regional Council on 21 May 2025 and signed on its behalf by:

Jesmond Aquilina
President

Mariella Strout
Executive Secretary

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Statement of Changes in Equity for the year ended 31 December 2024

	2024	2023
	€	€
Retained Earnings		
At 1 January	895,448	1,426,397
Total comprehensive income/(loss) for the year	813,697	(530,949)
At 31 December	1,709,145	895,448

The notes on pages 6 to 22 form an integral part of these financial statements.

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Statement of Cash Flows for the year ended 31 December 2024

	Note	2024 €	2023 €
Cash flow from operating activities			
Total comprehensive income/(loss) for the year		813,697	(530,949)
Adjustments for:			
Depreciation		20,342	18,682
Net reversal of provision for bad debts		(14,938)	(15,738)
Operating profit/(loss) before working capital changes		819,101	(528,005)
Working capital changes:			
Increase in trade and other receivables		(893,170)	(954,489)
Increase in trade and other payables		1,443,785	932,553
Net cash flows generated from/(used in) operating activities		1,369,716	(549,941)
Cash flow from investing activities			
Purchase of property, plant and equipment		(58,214)	(1,682)
Receipt of government grant		41,415	-
Net cash flow used in investing activities		(16,799)	(1,682)
Cash flow from financing activities			
Proceeds from short-term borrowings		-	971,743
Net cash flow generated from financing activities		-	971,743
Net increase in cash and cash equivalents		1,352,917	420,120
Cash and cash equivalents at the beginning of the year		2,588,523	2,168,403
Cash and cash equivalents at the end of the year	13	3,941,440	2,588,523

The notes on pages 6 to 22 form an integral part of these financial statements.

SOUTHERN REGIONAL COUNCIL

Notes to the financial statements for the year ended 31 December 2024

1. GENERAL INFORMATION

The Southern Regional Council is the local authority of Malta set up in accordance with the Local Councils Act. The office of the Regional Council is situated at 395, Triq il-Vitorja, Qormi QRM2504. These financial statements were approved for issue by the Regional Council Members on 21 May 2025. The Regional Council's financial statements are prepared on a going concern basis and are presented in Eur which is the functional currency of the Regional Council.

2. MATERIAL ACCOUNTING POLICIES AND REPORTING PROCEDURES

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

a) Accounting convention

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

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

b) Changes in accounting policies and disclosures

In the current year, the Local Council has reviewed 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 2024.

IFRS S1 'General Requirements for Disclosure of Sustainability-related Financial Information'

IFRS S1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. This standard will not be endorsed for use in the EU.

IFRS S2 'Climate-related Disclosures'

IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. This standard will not be endorsed for use in the EU.

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Notes to the financial statements for the year ended 31 December 2024

Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. These amendments had no effect on the Council's financial statements.

Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback

The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendment had no effect on the Council's financial statements.

Amendments to IAS 1 – Non-current Liabilities with Covenants

The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendment had no effect on the Council's financial statements.

Amendments to IAS 7, Statement of Cash Flows and IFRS 7, Financial Instruments: Disclosures – Supplier Finance Arrangements

The amendments require an entity to disclose qualitative and quantitative information about its supplier finance arrangements, such as terms and conditions, for example, extended payment terms and security or guarantees provided. These amendments had no effect on the Council's financial statements.

New Standards and amendments not yet effective

At the end of the reporting period, certain new standards, interpretations or amendments thereto, were in issue and endorsed by the EU, but not yet effective for the current financial period. There have been no instances of early adoption of standards, interpretations or amendments ahead of their effective date. The Councillors and Executive Secretary anticipate that the adoption of the International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application. The most relevant changes are the following:

IFRS 18 – Presentation and Disclosures in Financial Statements

IFRS 18 includes requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements. The standard is applicable to annual reporting periods beginning on or after 1 January 2027.

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Notes to the financial statements for the year ended 31 December 2024

b) *Changes in accounting policies and disclosures (continued)*

IFRS 19 – Subsidiaries without Public Accountability Disclosures

IFRS 19 specifies the disclosure requirements an eligible subsidiary is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards. The standard is applicable to annual reporting periods beginning on or after 1 January 2027.

c) *Revenue recognition*

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs.

d) *Local enforcement system*

Income from the Local Enforcement System is recognized in the statement of comprehensive income as it accrues.

e) *Property, plant and equipment*

Property, plant and equipment, are initially recorded at cost and are subsequently stated at cost less accumulated depreciation and accumulated impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of items. Subsequent costs are included in the asset's carrying amount, 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 profit and loss account during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives using depreciation rates as follows:

	%
Computer equipment	25.0
Office equipment	20.0
Furniture and fittings	7.5
Motor vehicles	20.0
Construction works - completed	10.0

f) *Government grants*

Government grants are accounted for on a systematic basis in the statement of comprehensive income over the periods necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related costs, then the grant is accounted for when it becomes receivable.

Government and EU grants relating to property, plant and equipment are written-off against the expenditure incurred on such property, plant and equipment in the year of purchase in line with the capital approach as per International Accounting Standard 20: Government Grants.

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Notes to the financial statements for the year ended 31 December 2024

g) *Impairment of assets*

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

h) *Receivables*

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

i) *Foreign currencies*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Regional Council operates. These financial statements are presented in euro which is the Council's functional and present currency.

Transactions denominated in foreign currencies are translated into Euro at rates of exchange in operation on the dates of transactions. Monetary assets and liabilities expressed in foreign currencies are translated into euro at the rates of exchange prevailing at the date of the statement of financial position.

j) *Surplus and deficits*

Only surpluses that were realized at the date of the statement of financial position are recognized in these financial statements. All foreseeable liabilities and potential deficits 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.

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 balances held with banks.

l) *Related parties*

Related parties are those persons or bodies of persons having relationship with the Council as defined in IAS 24. During the year under review, the Regional Council's related party that exercised a significant control was the Department of Local Government. The parties that exercise no control were Water Services Corporation, LESA, Enemalta, Wasteserv, ARMS and Malta Environmental and Planning Authority.

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Notes to the financial statements for the year ended 31 December 2024

m) Trade and other payables

Trade payables comprise obligations to pay for goods and 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 (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Regional Council.

n) Financial instruments

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

Financial assets are derecognized 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 derecognized 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, other than those designated and effective as hedging instruments, are classified into the following categories:

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

In the periods presented the Council does not have any financial assets categorised as FVTPL and FVOCI.

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.

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Notes to the financial statements for the year ended 31 December 2024

n) Financial instruments (continued)

Subsequent measurement of financial assets

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 Council's cash and cash equivalents and 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'. This replaces IAS 39's 'incurred loss 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 Council's first identifying a credit loss event. Instead, the 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.

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Notes to the financial statements for the year ended 31 December 2024

n) Financial instruments (continued)

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Council's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Council's financial liabilities include trade and other payables and short-term borrowings.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Council designated a financial liability at FVTPL.

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 changes and, if applicable, changes in an instrument's fair value that are reported in statement of income and expenditure are included within finance costs or finance income.

o) Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS, as adopted by the EU, requires council members to make judgments, 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 judgment 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 assumption are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future period if the revision affects both current and future periods.

In the opinion of the Regional Council members, the accounting estimates and judgments 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 (revised).

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Notes to the financial statements for the year ended 31 December 2024

3. FUNDS RECEIVED FROM CENTRAL GOVERNMENT

	2024	2023
	€	€
Government allocation received during the year	<u>666,665</u>	<u>583,332</u>

4. INCOME RAISED FROM LOCAL ENFORCEMENT SYSTEM

	2024	2023
	€	€
Regional Committee LESA – administration fee	<u>496</u>	<u>1,027</u>

5. REIMBURSEMENTS

	2024	2023
	€	€
Reimbursement of salaries	91,303	268,968
Reimbursement of expenses	-	41,275
	<u>91,303</u>	<u>310,243</u>

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Notes to the financial statements for the year ended 31 December 2024

6. GENERAL INCOME

	2024	2023
	€	€
Grant for steward officer	15,623	17,593
Grants for cultural activities	125,000	149,571
Waste collection and disposal	5,022,363	2,741,294
Other income	610	34,005
	<u>5,163,596</u>	<u>2,942,463</u>

7. PERSONNEL EMOLUMENTS

	2024	2023
	€	€
President's honoraria	22,660	22,158
Executive secretary's salary	41,581	41,445
Employees' salaries	319,633	307,962
Social security contributions	30,317	18,885
	<u>414,191</u>	<u>390,450</u>

AVERAGE NUMBER OF PEOPLE EMPLOYED

	2024	2023
	No.	No.
Executive secretary	1	1
Employees	11	11
President	1	1
	<u>13</u>	<u>13</u>

8. OPERATIONS AND MAINTENANCE

	2024	2023
	€	€
Refuse collection	2,369,197	2,228,395
Tipping fees	2,069,834	1,435,068
	<u>4,439,031</u>	<u>3,663,463</u>

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Notes to the financial statements for the year ended 31 December 2024

9. ADMINISTRATION AND OTHER EXPENDITURE

	2024	2023
	€	€
Annual plenary session	9,331	6,393
Bank charges and interest	1,071	1,072
Cleaning and supplies cost	9,028	8,808
Computer maintenance agreement	696	2,696
Data protection officer	-	234
Depreciation	20,342	18,682
Equipment hire	300	1,007
Funeral wreath and flowers	(140)	315
General expenses	44	110
Health insurance	65	1,000
Handyman works	3,600	7,300
Insurance	2,694	1,556
Legal fees	176	45
LES services	3,145	3,867
Motor vehicles expenses	8,064	4,458
Other hospitality costs	5,316	5,947
Overseas travel	2,854	6,457
Postage, printing and stationery	4,190	4,286
Professional fees	9,190	23,018
Rent	23,940	22,760
Repairs and maintenance	1,930	3,501
Net reversal of provision for bad debts	(14,938)	(15,738)
Staff uniforms	312	30
Staff training and team building events	714	10,268
Subscription, licences and memberships	2,646	2,017
Telephone and communication	3,948	5,765
Transportation	1,385	1,714
Water/electricity and gas	2,734	2,870
	102,637	130,438

10. FINANCIAL ASSISTANCE WITHIN THE REGIONAL COUNCIL

	2024	2023
	€	€
SIA Conference	3,052	-
Christmas decoration projects	2,000	-
Holy Week Seminar	2,248	-
Social impact assessment	14,500	-
Art lessons and exhibition project	-	5,550
Other community projects	5,704	11,292
Other cultural activities	125,000	166,821
	152,504	183,663

**Notes to the financial statements
for the year ended 31 December 2024**

11. PROPERTY, PLANT AND EQUIPMENT

	Computer Equipment	Office Equipment	Furniture & Fittings	Motor Vehicles	Construction Works	Total
	€	€	€	€	€	€
Cost						
As at 1 January 2024	24,315	11,249	18,129	30,471	72,077	156,241
Additions during the year	4,042	-	2,403	51,769	-	58,214
As at 31 December 2024	28,357	11,249	20,532	82,240	72,077	214,455
Grants and Other Reimbursements						
As at 1 January 2024	(3,600)	-	-	-	-	(3,600)
Grants during the year	-	-	-	(41,415)	-	(41,415)
As at 31 December 2024	(3,600)	-	-	(41,415)	-	(45,015)
Depreciation and Impairment Provision						
As at 1 January 2024	17,428	9,339	8,052	20,282	23,851	78,952
Charge for the year	4,058	689	1,540	7,166	6,889	20,342
As at 31 December 2024	21,486	10,028	9,592	27,448	30,740	99,294
NET BOOK VALUE						
As at 31 December 2024	3,271	1,221	10,940	13,377	41,337	70,146

	Computer Equipment	Office Equipment	Furniture & Fittings	Motor Vehicles	Construction Works	Total
	€	€	€	€	€	€
Cost						
As at 1 January 2023	24,315	11,249	16,447	30,471	72,077	154,559
Additions during the year	-	-	1,682	-	-	1,682
As at 31 December 2023	24,315	11,249	18,129	30,471	72,077	156,241
Grants and Other Reimbursements						
As at 1 January 2023	(3,600)	-	-	-	-	(3,600)
As at 31 December 2023	(3,600)	-	-	-	-	(3,600)
Depreciation and Impairment Provision						
As at 1 January 2023	14,380	8,367	6,692	14,188	16,643	60,270
Charge for the year	3,048	972	1,360	6,094	7,208	18,682
As at 31 December 2023	17,428	9,339	8,052	20,282	23,851	78,952
NET BOOK VALUE						
As at 31 December 2023	3,287	1,910	10,077	10,189	48,226	73,689

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Notes to the financial statements for the year ended 31 December 2024

12. TRADE AND OTHER RECEIVABLES

	2024	2023
	€	€
Receivables	1,112,622	889,231
Prepayments	11,247	10,407
Accrued income	776,486	92,609
	1,900,355	992,247
Analysis of trade receivables		
Within the credit period	473,694	687,452
Exceeded credit period but not yet impaired	638,928	201,779
	1,112,622	889,231

Receivables are stated net of provision for doubtful debts of Eur1,482,466 (2023: Eur1,637,071).

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and balances with banks. Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the Statement of Financial Position.

	2024	2023
	€	€
Current accounts	3,941,107	2,588,190
Cash in hand	333	333
Cash at bank and in hand	3,941,440	2,588,523

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Notes to the financial statements for the year ended 31 December 2024

14. TRADE AND OTHER PAYABLES

	2024	2023
	€	€
Trade payables	2,257,955	880,698
Accruals	415,614	354,110
Other payables	50,207	165,116
Deferred income	507,277	387,344
Financial liabilities	3,231,053	1,787,268

15. SHORT-TERM BORROWINGS

	2024	2023
	€	€
Loan due to DLG	204,855	204,855
Amount due to DLG	766,888	766,888
Short-term borrowings	971,743	971,743

The loan due to DLG and the amount due to DLG are unsecured, are non-interest bearing, are repayable on demand and do not have a fixed date of repayment.

16. CAPITAL COMMITMENTS

By the time these financial statements were approved, the Regional Council has approved a construction project for an Administration Building Rehabilitation Project for an estimated building cost for Eur944,000, including VAT. The project will be financed from the Regional Council's internal funds and is expected to be completed by end of 2025.

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Notes to the financial statements for the year ended 31 December 2024

17. RELATED PARTY TRANSACTIONS

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

Name of Entity	Nature of relationship
Department of Local Government (DLG)	Significant control
Joint Committee (Local Enforcement)	Joint control
Local Enforcement System Agency	Joint control
Local Council Association	No control
Water Services Corporation	No control
Enemalta Corporation / ARMS	No control
Wasteserv Malta	No control

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

	2024	2023
	€	€
Annual financial allocation	666,665	583,332
Loan from DLG	-	204,855
Amount received from DLG – to be refunded	-	766,888
LESA reimbursement	91,303	81,130
Reimbursement for commercial waste and VAT from DLG	743,624	-
Amount receivable for waste rejects from DLG	78,007	-

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

Transactions were carried out with other local councils and government entities that do not have control over the Regional Council. These mainly include various local councils in Malta and amount to Eur3,382,008 (2023: Eur2,741,294), representing collection and disposal of waste.

Key management compensation

Transactions with key management personnel are disclosed in note 8. The Council considers its Mayor, Councillors and the Executive Secretary to be key management personnel. Remuneration paid to its Key Management Personnel amounted to Eur64,241 (2023: Eur66,286).

18. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

SOUTHERN REGIONAL COUNCIL

Notes to the financial statements for the year ended 31 December 2024

18. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

18.1 Credit Risk

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

		2024	2023
		€	€
Classes of financial assets – carrying amounts			
Trade and other receivables	(Note 12)	1,889,108	981,840
Cash and cash equivalents	(Note 13)	3,941,107	2,588,190
		5,830,215	3,570,030

The Council continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Council's policy is to deal only with creditworthy counterparties.

The Council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the Council's financial assets is secured by collateral or other credit enhancements.

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

18.2 Liquidity Risk

The Council's trade and other payables and short-term borrowings exposure to liquidity risk arises from its obligations to meet its financial liabilities which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funds to meet the Council's obligations when they become due.

The Council manages its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. The Council's liquidity is deemed to be sufficient in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments.

		2024	2023
		€	€
Current liabilities			
Financial liabilities measured at amortised cost:			
Trade and other payables		2,308,162	1,045,814
Accruals		415,614	354,110
Short-term borrowings		971,743	971,743
		3,695,519	2,371,667

SOUTHERN REGIONAL COUNCIL

Notes to the financial statements for the year ended 31 December 2024

18. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

18.2 Liquidity Risk (continued)

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

31 December 2024	Current within 1 year €	Non- current 1 to 5 years €	Later than 5 years €
Trade and other payables	2,308,162	-	-
Accruals	415,614	-	-
Short-term borrowings	971,743	-	-
	3,695,519	-	-

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

31 December 2023	Current within 1 year €	Non- current 1 to 5 years €	Later than 5 years €
Trade and other payables	1,045,814	-	-
Accruals	354,110	-	-
Short-term borrowings	971,743	-	-
	2,371,667	-	-

18.3 Interest Rate Risk

The Council has no significant interest-bearing assets other than cash and cash equivalent (Note 13), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. The Council monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, the Council considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

18.4 Foreign Currency Risk

The Council is not exposed to foreign exchange risk since it does not transact in foreign currencies.

SOUTHERN REGIONAL COUNCIL

Notes to the financial statements for the year ended 31 December 2024

18. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

18.5 Summary of financial assets and liabilities by category

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

	2024	2023
	€	€
Current assets		
Financial assets measured at amortised cost:		
Trade and other receivables	1,889,108	981,840
Cash and cash equivalents	3,941,440	2,588,523
	5,830,548	3,570,363
Current liabilities		
Financial liabilities measured at amortised cost:		
Trade and other payables	2,308,162	1,045,814
Accruals	415,614	354,110
Short-term borrowings	971,743	971,743
	3,695,519	2,371,667

18.6 Capital Risk Management

The Council's objectives when managing capital are to safeguard the 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 Council's equity, as disclosed in the statement of financial position, constitutes its capital. The 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 Council's activities, the capital level as at the end of the reporting period is deemed adequate by the Council.

19. Fair Value Estimation

As at 31 December 2024 and 2023, the carrying amounts of cash at bank, receivables, payables and short-term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

20. Events After the End of the Reporting Period

No adjusting or significant non-adjusting events have occurred between the end of the reporting period and the date of authorisation by the Regional Council.