



L-Isla
(Città Invicta)

L-Isla Local Council

Annual Report and Financial Statements
31 December 2020

Table of Contents	Pages
Statement of Local Council Members' and Executive Secretary's Responsibilities	1
Statement of Profit or Loss and other Comprehensive Income	2
Statement of Financial Position	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 26

Statement of Local 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 Local Council's comprehensive income for the period and of the Council's retained funds at the end of the period. By virtue of the same regulations, it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local 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 Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Local Council on the 29 January 2021 and signed on its behalf by:

IFFIRMATA

Clive Pulis

Mayor

IFFIRMATA

Graziella Gellel

Executive Secretary

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2020 €	2019 €
Income			
Funds received from central government	3	350,939	348,507
Income raised under Local Enforcement System	5	626	1,827
General Income	6	38,425	37,546
Income from Bye Law	7	771	9,551
		390,761	397,431
Expenditure			
Personal emoluments	8	77,081	71,223
Operations and Maintenance	9	161,071	180,304
Administrative and other Expenditure	10	100,740	95,070
		338,892	346,597
Operating profit for the year		51,869	50,834
Investment Income	4	21	114
Profit for the year		51,890	50,948
Total comprehensive income for the year		51,890	50,948

The notes on pages 6 to 26 form an integral part of these financial statements

Statement of Financial Position

	Notes	2020 €	2019 €
ASSETS			
Non-current assets			
Intangible asset	12	749	1,011
Tangible assets			
Property, plant and equipment	13	100,484	77,712
		<u>101,233</u>	<u>78,723</u>
Current assets			
Receivables	14	36,942	68,137
Cash and cash equivalents	15	280,866	353,151
		<u>317,808</u>	<u>421,288</u>
Total Assets		<u>419,041</u>	<u>500,011</u>
Reserves			
Retained Fund		<u>327,133</u>	<u>275,243</u>
Current Liabilities			
Payables	16	91,908	224,768
Total Liabilities		<u>91,908</u>	<u>224,768</u>
Total Reserves and Liabilities		<u>419,041</u>	<u>500,011</u>

These financial statements were approved by the Local Council on the 29 January 2021 and are signed on its behalf by:

Clive Pulis
Mayor

Graziella Gellel
Executive Secretary

The notes on pages 6 to 26 form an integral part of these financial statements

Statement of Changes in Equity

	Retained Earnings €	Total €
Balance at 1 January 2019	224,295	224,295
Total comprehensive income for the year	50,948	50,948
Balance at 31 December 2019	275,243	275,243
Balance at 1 January 2020	275,243	275,243
Total comprehensive income for the year	51,890	51,890
Balance at 31 December 2020	327,133	327,133

The notes on pages 6 to 26 form an integral part of these financial statements

Statement of Cash Flows

	Notes	2020 €	2019 €
Cash flows from operating activities			
Profit for the year		51,890	50,948
Adjustments for:			
Depreciation	13a	25,015	33,459
Amortisation charge	12	456	440
Provision for bad debts		(163)	0
Investment income receivable		(21)	(114)
Loss on disposal		470	0
		<hr/>	<hr/>
Surplus for the period before working capital movements		77,647	84,733
Decrease/(Increase) in receivables		31,358	(56,665)
(Decrease)/Increase in payables		(105,583)	66,199
		<hr/>	<hr/>
		3,422	94,267
		<hr/>	<hr/>
Net cash generated from operating activities		3,422	94,267
		<hr/>	<hr/>
Cash flows used in investing activities			
Investment income receivable		21	114
Grants received		79,684	56,610
Payment to acquire property, plant and equipment	13a	(127,941)	(76,643)
Payment to acquire intangible asset	12	(194)	(178)
		<hr/>	<hr/>
Net cash used in investing activities		(48,430)	(20,097)
		<hr/>	<hr/>
Movement in cash and cash equivalents		(45,008)	74,170
		<hr/>	<hr/>
Cash and cash equivalents at the beginning of the year		325,874	251,704
		<hr/>	<hr/>
		280,866	325,874
Bank Balance Overdrawn		0	27,277
Cash and cash equivalents at the end of the year	15	280,866	353,151
		<hr/>	<hr/>

Notes to the Financial Statements
For the year ended 31 December 2020**1. Statutory Information**

L-Isla Local Council is the local authority of Isla setup in accordance with the Local Councils Act. The Office of the Local Council is situated at 2, St. Joseph Street, L-Isla, Malta.

2. Accounting policies

The principal accounting policies adopted 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. 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 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. Accounting policies - continued**c. Application of new and revised international Financial Reporting Standards (IFRSs)**

In the current year, the Council has applied IFRS 16 'Leases' which introduced a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized, with the exception of short-term and low value leases. IFRS 16 superseded the lease guidance of IAS 17 and the related interpretations.

The Council did not apply IFRS 16 as amounts are not material.

d. New and revised IFRSs in issue but not yet effective***Standards and Interpretations issued by the IASB but not yet approved by the EU:***

Annual Improvements to IFRS Standards 2015-2017 Cycle (issued 12 December 2017)

e. Revenue recognition

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

Revenue is recognised upon transfer of funds from the Central Government when there are no significant uncertainties concerning the derivation of consideration or associated costs.

Interest income is recognised in the income statement as it accrued under finance income.

2. Accounting policies - continued**f. Functional and presentation currency**

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

g. Local Enforcement System

The amount disclosed in the financial statements under Local Enforcement Income represents the administrative charges to Regional Committees.

h. Government Grants

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

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

i. Intangible assets

Intangible assets comprise computer software. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of 25% using the straight-line method. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Where an indication of impairment exists, in that the carrying amount of an intangible asset is greater than its estimated recoverable amount, a charge is made to write down the value of the asset to its estimated recoverable amount (Accounting policy (k)).

2. Accounting policies - continued**j. Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss to date. 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:

• Land	0%
• Trees	0%
• Buildings	1%
• Office furniture and fittings	7.5%-23.59%
• Construction works	10%-40%
• Urban Improvements (Street Furniture)	10%-28.57%
• Special Projects	10%-22.22%
• Office Equipment	20%-46.17%
• Motor Vehicles	20%
• Plant and Machinery	20%
• Plants	100%
• Computer Equipment	25%-25.53%
• Litter Bins	Replacement Basis
• Traffic and Road Signs	Replacement Basis
• Street Mirrors	Replacement Basis
• Street Lights	100%
• Playground Furniture	100%

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 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.

k. 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.

2. Accounting policies - continued**l. Amounts receivable**

Amounts receivable 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.

Amounts receivable are carried at original invoice amount less provisions made for impairment of these receivables. A provision for impairment of amount receivables is established when there is objective evidence that the Local Council will not be able to collect all amounts due according to the set original terms. The amount of provision is recognised in the Statement of Comprehensive Income. Bad debts are written off during the year in which they are identified.

m. Cash and cash equivalents

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

n. Profits and losses

Only profits that were realized 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.

o. 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.

p. Provisions

Provisions are recognised when the Local 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.

q. Leases**Accounting policy applicable from 1 January 2019**

As from 1 January 2019, the council considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the council assesses whether the contract meets three key evaluations which are whether:

2. Accounting policies – continued**q. Leases – continued**

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

Measurement and recognition of leases

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

The council depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The council also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the council measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the council's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

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

2. Accounting policies - continued**q. Leases – continued****Accounting policy applicable before 1 January 2019**

The council's leases were classified as operating leases. Lease classification was made at the inception of the lease, which was the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.

Rentals payable under operating leases, less the aggregate benefit of incentives received from the lessor, were recognized as an expense in profit or loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

r. 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 (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Local Council has an unconditional right to defer settlement of the liability for at least 12 months from the end of the reporting period.

s. Capital Management

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

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

To achieve the above, the Council carries out a quarterly review of the working capital ratio ('Financial Situation Indicator'). The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

t. Financial instruments

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

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

2. Accounting policies – continued**u. Financial assets**

For the purpose of subsequent measurement, financial assets of the Council are classified into loans and receivables upon initial recognition.

Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets as described below.

All income and expenses relating to loans and receivables are presented within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administration and other expenditure'.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Council's other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considerable to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counter party and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

v. Financial liabilities

The Council's financial liabilities include other payables. These are stated at their nominal amount which is reasonable approximation of fair value.

All interest-related charges are included within finance costs.

3. Funds Received from Central Government

	2020	2019
	€	€
In terms of Section 55 of the Local Councils Act (Cap 363)	313,781	296,593
Other Government Income	18,013	42,415
Other supplementary income	19,145	9,499
	350,939	348,507

4. Investment income

	2020	2019
	€	€
Bank interest receivable	21	114

5. Local Enforcement System

	2020	2019
	€	€
Administrative charges to Regional Committees	626	1,792
Contraventions	0	35
	626	1,827

6. General Income

	2020	2019
	€	€
Income from permits	25,073	22,465
EU Programme	5,840	1,100
Other income	3,649	6,112
Contributions and donations	3,863	7,869
	38,425	37,546

7. Income from bye law

	2020	2019
	€	€
Income from bye laws	771	9,551

8. Personal Emoluments

	2020 €	2019 €
Mayor's allowance	10,403	9,390
Executive Secretary and allowances	31,401	30,586
Employees' salaries	18,118	17,529
Social Security Contributions	4,159	4,018
Councillors' remuneration	13,000	9,700
	<u>77,081</u>	<u>71,223</u>

Average number of people employed

Employees	<u>2</u>	<u>2</u>
-----------	----------	----------

9. Operations and Maintenance

	2020 €	2019 €
Repairs and Upkeep:		
Road and street maintenance	13,433	8,142
Repair plant and equipment	0	50
Repair office furniture and equipment	2,357	1,276
Sundry repairs	11,813	22,705
	<u>27,603</u>	<u>32,173</u>

	2020 €	2019 €
Contractual Services:		
Refuse collection (including bins on wheels)	40,550	38,114
Waste disposal	19,260	20,739
Bulky refuse collection (including open skips)	21,724	20,431
Road and street cleaning (mechanical and manual)	22,061	26,366
Other contractual services	8,233	4,011
Cleaning and Maintenance of Council Premises	465	1,940
Cleaning and Maintenance of Public Conveniences	11,800	23,455
Cleaning and Maintenance of Parks and Gardens	5,700	5,700
Street Lighting Maintenance	3,119	6,033
LES related expenditure	556	1,352
	<u>133,468</u>	<u>148,131</u>

	<u>161,071</u>	<u>180,304</u>
--	----------------	----------------

10. Administrative and other expenditure

	2020	2019
	€	€
Water and Electricity	5,136	1,309
Telecommunications	6,583	3,707
Fuel	0	280
Rent	3,574	3,557
Printing and Stationery	1,188	1,912
Postages	173	134
Subscriptions	387	21
Library	1,586	1,840
Staff Training	0	442
National & International membership	(384)	1,990
Meetings and conventions	0	5,213
Office services	2,344	2,192
Transport	(400)	396
Insurance	2,180	2,352
Professional services	32,596	12,265
Community and hospitality	15,852	22,468
Bank charges	272	405
Depreciation	25,015	33,459
Amortisation charge	456	440
Loss on disposal	470	0
Provision for bad LES debts	(163)	0
Advertising and Public Relations	3,525	688
Sundry minor expenses	350	0
	100,740	95,070

12. Intangible asset

	Computer Software €
At 1 January 2019	
Cost	3,113
Accumulated amortisation	(2,102)
Net book amount	<u>1,273</u>
Movements for the year ended 31 December 2019	
Opening net book amount	1,273
Additions	178
Amortisation charge	(440)
Closing net book amount	<u>1,011</u>
At 31 December 2019	
Cost	3,113
Accumulated amortisation	(2,102)
Net book amount	<u>1,011</u>
Movements for the year ended 31 December 2020	
Opening net book amount	1,011
Additions	194
Amortisation charge	(456)
Closing net book amount	<u>749</u>
At 31 December 2020	
Cost	3,307
Accumulated amortisation	(2,558)
Net book amount	<u>749</u>

Amortisation of €456 (2019: €440) is included in administrative expenses.

13a. Property, plant and equipment

Cost	Office Furniture, Fixtures & Fittings		New		Urban Improv. €	Construction €	Special Programmes €	Trees €	Plant & Machinery €	Motor Vehicles €	Assets under Construction €	Total €
	€	€	Computer Equipment €	Street Signs €								
At 1 January 2020	57,393	23,548	8,266	8,924	242,517	182,854	517,472	4,113	1,554	0	2,226	1,048,867
Additions	10,759	3,396	2,285	0	23,057	90,549	0	0	121	0	(2,226)	127,941
Disposals/Transfers	(6,985)	(1,016)	(1,440)	0	0	(2,760)	0	0	0	0	0	(12,201)
At 31st December 2020	61,167	25,928	9,111	8,924	265,574	270,643	517,472	4,113	1,675	0	0	1,164,607
Grants												
At 1 January 2020	0	10,075	0	0	63,110	0	332,048	0	0	0	0	405,233
Transferred during the year	0	0	0	0	0	82,063	0	0	0	0	0	82,063
Reversed	0	0	0	0	(2,379)	0	0	0	0	0	0	(2,379)
At 31st December 2020	0	10,075	0	0	60,731	82,063	332,048	0	0	0	0	484,917
Depreciation												
At 1 January 2020	54,695	12,390	7,704	8,924	150,663	171,775	158,642	0	1,129	0	0	565,922
Charge for the period	1,070	1,556	863	0	7,972	3,465	9,987	0	102	0	0	25,015
Released on disposal	(6,832)	(982)	(1,440)	0	0	(2,477)	0	0	0	0	0	(11,731)
At 31st December 2020	48,933	12,964	7,127	8,924	158,635	172,763	168,629	0	1,231	0	0	579,206
Net Book Value												
At 31st December 2020	12,234	2,889	1,984	0	46,208	15,817	16,795	4,113	444	0	0	100,484

13b. Property, plant and equipment

Cost	Office Furniture, Fixtures & Fittings		New		Office Equipment	Computer Equipment	Street Signs	Urban Improv.	Construction	Special Programmes	Trees	Plant & Machinery	Motor Vehicles	Assets under Construction	Total
	€	€	€	€											
At 1 January 2019	56,848	22,399	8,266	8,924	170,252	182,854	517,472	4,113	1,096	0	0	0	0	0	972,224
Additions	545	1,149	0	0	72,265	0	0	0	458	0	0	0	0	2,226	76,643
Disposals/Transfers	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
At 31st December 2019	57,393	23,548	8,266	8,924	242,517	182,854	517,472	4,113	1,554	0	0	0	0	2,226	1,048,867
Grants															
At 1 January 2019	0	10,075	0	0	6,500	0	332,048	0	0	0	0	0	0	0	348,623
Transferred during the year	0	0	0	0	56,610	0	0	0	0	0	0	0	0	0	56,610
At 31st December 2019	0	10,075	0	0	63,110	0	332,048	0	0	0	0	0	0	0	405,233
Depreciation															
At 1 January 2019	54,160	11,062	7,273	8,924	134,288	167,005	148,655	0	1,096	0	0	0	0	0	532,463
Charge for the period	535	1,328	431	0	16,375	4,770	9,987	0	33	0	0	0	0	0	33,459
Released on disposal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
At 31st December 2019	54,695	12,390	7,704	8,924	150,663	171,775	158,642	0	1,129	0	0	0	0	0	565,922
Net Book Value															
At 31st December 2019	2,698	1,083	562	0	28,744	11,079	26,782	4,113	425	0	0	0	0	2,226	77,712

14. Receivables

	2020 €	2019 €
Receivables	34,102	25,141
Accrued income	0	40,527
Financial assets	34,102	65,668
Prepayments	2,770	2,259
Other receivables	70	210
	36,942	68,137

The total financial assets for the year amounted to €34,102 (2019: €65,668).

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 company 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.

	2020 €	2019 €
Age of receivables that are past due but not impaired		
60-90 days	3,636	2,901
91-120 days	3,719	3,021
More than 120 days	26,747	19,219
Total	34,102	25,141

	2020 €	2019 €
Movement in the allowance for doubtful debts		
Balance at beginning of the year	135,211	135,211
Reduction in provision for LES debtors	(163)	0
Balance at end of the year	135,048	135,211

14. Receivables - continued

In determining the recoverability of a receivable, the Local 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. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated. The impairment loss on receivables is included in administrative expenses in the statement of comprehensive income.

Receivables are stated net of a provision for doubtful debts of €135,048 (2019: €135,211).

15. Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following amounts in the Local Council Statement of Financial Position:

	2020 €	2019 €
Term deposit 1 year	10,315	10,315
Bank balances:		
Ordinary funds	270,321	342,680
Cash in hand	230	156
Cash at bank	280,866	353,151
Bank Balance overdrawn	0	(27,277)
	280,866	325,874

16. Payables

	2020 €	2019 €
Payables	34,659	88,522
Advance Payment	0	82,062
Other Payables	8,290	11,213
Accruals	13,003	15,694
Bank Balance overdrawn	0	27,277
Financial liabilities	55,952	224,768
Deferred Income	35,956	0
	91,908	224,768

The total financial liabilities for the year amounted to €55,952 (2019: €224,768)

17. Contingent liabilities

There were no Contingent Liabilities as at 31 December 2020.

18. Related party transactions

During the year, the Local Council had affected transactions with related parties resulting mainly in connection with income and administrative transactions, are disclosed in notes 8 and 10 to these financial statements. The following were the related parties:

Name of Entity	Nature of relationship
Department of Local Councils	Significant Control
Gozo Regional Council	No Control
Central Regional Council	No Control
North Regional Council	No Control
South Regional Council	No Control
South Eastern Regional Council	Joint Control
Local Enforcement Systems Agency	No Control
ARMS Ltd	No Control
Commissioner of Data Protection	No Control
Department of Information	No Control
Ministry of Finance	No Control
Police General Head Quarters	No Control
Malta Environment and Planning Authority	No Control
Water Services Corporation	No Control
Enemalta Corporation	No Control
Cleansing Directorate	No Control
Department of Lands	No Control
Wasteserv Malta Limited	No Control
Bank of Valletta plc	No Control
Department of Lands	No Control
Local Councils' Association	No Control
Central Bank of Malta	No Control
Department of Inland Revenue	No Control
Ministry for Justice, Culture and Local Government	No Control

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

	2020	2019
	€	€
(a) Funds received from Local Government	313,781	296,593

18. Related party transactions – continued**Key management compensation**

Transactions with key management personnel are disclosed in note 8.

Ultimate controlling party

The ultimate controlling party of the local council is Central Government since the Council's main revenue is from the 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 of the locality.

19. Financial risk management

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

Credit risk

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of 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 and is summarised as follows:

	2020 €	2019 €
Classes of financial assets – carrying amounts		
Trade and other receivables	34,102	65,668
Cash and cash equivalents	280,866	353,151
	314,968	418,819

19. Financial risk management – continued***Liquidity risk***

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short-term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact, at year end, the Council has as cash in bank and in hand the amount of €280,866. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net asset position of €225,900 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

At 31 December 2020 the council's financial liabilities have contractual maturities which are summarised below:

At 31 December 2020

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	34,659	-	-
Other creditors	8,290	-	-
Accruals	13,003	-	-

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

At 31 December 2019

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	88,522	-	-
Advance Payment	82,062		
Other creditors	11,213	-	-
Accruals	15,694	-	-
Bank Balance Overdrawn	27,277	-	-

Foreign currency risk

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

Interest rate risk

Interest rate risk mainly arises through interest bearing liabilities and assets. The 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.

20. Summary of financial assets and liabilities

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

	2020 €	2019 €
Current assets		
Loans and receivables:		
Trade and other receivables	34,102	65,668
Cash and cash equivalents	280,866	353,151
	<u>314,968</u>	<u>418,819</u>
Current liabilities		
Financial liabilities measured at amortised costs:		
Payables	34,659	88,522
Other payables	8,290	89,260
Accruals	13,003	15,694
Bank Balance Overdrawn	0	27,277
	<u>55,952</u>	<u>220,753</u>

21. 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.

22. Capital commitments**Capital expenditure**

Commitments for capital expenditure not provided for in these financial statements are as follows:

	2020 €	2019 €
Contracted but not provided for	-	-
Authorised but not contracted	154,000	235,630
	<u>154,000</u>	<u>235,630</u>