



L-Isla
(Città Invicta)

L-Isla Local Council

Annual Report and Financial Statements
31 December 2021

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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 18 January 2022 and signed on its behalf by:



Clive Pulis
Mayor



Graziella Gellel
Executive Secretary

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2021 €	2020 €
Income			
Funds received from central government	3	370,685	358,034
Income raised under Local Enforcement System	5	3,036	626
General Income	6	31,719	32,730
Income from Bye Law	7	2,409	771
		<u>407,849</u>	<u>392,161</u>
Expenditure			
Personal emoluments	8	79,421	77,081
Operations and Maintenance	9	169,983	161,071
Administrative and other Expenditure	10	129,228	99,106
		<u>378,632</u>	<u>337,258</u>
Operating profit for the year		<u>29,217</u>	<u>54,903</u>
Investment Income	4	7	21
Profit for the year		<u>29,224</u>	<u>54,924</u>
Total comprehensive income for the year		<u>29,224</u>	<u>54,924</u>

The notes on pages 6 to 25 form an integral part of these financial statements

Statement of Financial Position

	Notes	2021 €	2020 €
ASSETS			
Non-current assets			
Intangible asset	12	1,047	749
Tangible assets			
Property, plant and equipment	13	93,328	100,484
		<u>94,375</u>	<u>101,233</u>
Current assets			
Receivables	14	38,389	41,676
Cash and cash equivalents	15	355,794	280,866
		<u>394,183</u>	<u>322,542</u>
Total Assets		<u>488,558</u>	<u>423,775</u>
Reserves			
Retained Fund		<u>359,391</u>	<u>330,167</u>
Current Liabilities			
Payables	16	129,167	93,608
Total Liabilities		<u>129,167</u>	<u>93,608</u>
Total Reserves and Liabilities		<u>488,558</u>	<u>423,775</u>

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Clive Pulis
Mayor



Graziella Gellel
Executive Secretary

The notes on pages 6 to 25 form an integral part of these financial statements

Statement of Changes in Equity

	Retained Earnings	Total
	€	€
Balance at 1 January 2020	275,243	275,243
Total comprehensive income for the year	54,924	54,924
Balance at 31 December 2020	330,167	330,167
Balance at 1 January 2021	330,167	330,167
Total comprehensive income for the year	29,224	29,224
Balance at 31 December 2021	359,391	359,391

The notes on pages 6 to 25 form an integral part of these financial statements

Statement of Cash Flows

	Notes	2021 €	2020 €
Cash flows from operating activities			
Profit for the year		29,224	54,924
Adjustments for:			
Depreciation	13a	33,607	25,015
Amortisation charge	12	634	456
Provision for bad debts		-	(163)
Investment income receivable		(7)	(21)
Loss on disposal		-	470
		<hr/>	<hr/>
Surplus for the period before working capital movements		63,458	80,681
Decrease in receivables		3,287	26,624
Increase /(Decrease) in payables		35,559	(103,883)
		<hr/>	<hr/>
Net cash generated from operating activities		102,304	3,422
		<hr/>	<hr/>
Cash flows used in investing activities			
Investment income receivable		7	21
Grants received		94,039	79,684
Payment to acquire property, plant and equipment	13a	(115,313)	(127,941)
Payment to acquire intangible asset	12	(6,109)	(194)
		<hr/>	<hr/>
Net cash used in investing activities		(27,376)	(48,430)
		<hr/>	<hr/>
Movement in cash and cash equivalents		74,928	(45,008)
		<hr/>	<hr/>
Cash and cash equivalents at the beginning of the year		280,866	325,874
		<hr/>	<hr/>
		355,794	280,866
Bank Balance Overdrawn		(590)	0
Cash and cash equivalents at the end of the year	15	355,204	280,866
		<hr/>	<hr/>

Notes to the Financial Statements For the year ended 31 December 2021

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.

c. Application of new and revised international Financial Reporting Standards (IFRSs)

The Local Council has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2020:

- Amendments to IFRS 16 Leases Covid 19 – Related Rent Concessions (effective for financial years beginning on or after 1 January 2020)
- Amendments to IAS 1 and IAS 8 – Definition of Material (effective for financial years beginning on or after 1 January 2020)

2. Accounting policies - continued

- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform (effective for financial years beginning on or after 1 January 2020)

c. Application of new and revised international Financial Reporting Standards (IFRSs) continued

- Amendments to References to the Conceptual Framework in IFRS Standards (effective for financial years beginning on or after 1 January 2020)
- Amendments to IFRS 3 Business Combinations (effective for financial years beginning on or after 1 January 2020)

The adoption of new and amended standards did not have a material impact on the Local Council's financial statements. The Council did not apply IFRS 16 as amounts are not material.

d. New and revised IFRSs in issue but not yet effective**Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Local Council**

At the date of the authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective and have not been adopted early by the Local Council

- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (effective for financial years beginning on or after 1 January 2021)
- Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective for financial years beginning on or after 1 January 2021)

The Council anticipates that all the relevant pronouncements will be adopted in the Local Council's accounting policies for the first period beginning after the effective date of the pronouncement.

Certain new standards and interpretations have been issued but are not expected to have a material impact on the Local Council's financial statements.

Standards, amendments and interpretations to published standards that are not yet endorsed by the EU

- IFRS 17 – Insurance contracts (effective for financial years beginning on or after 1 January 2023)
- Amendment to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, Annual Improvements 2018 – 2020 (effective for financial years beginning on or after 1 January 2022)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current and Non-Current – Deferral of Effective Date (effective for financial years beginning on or after 1 January 2022)

2. Accounting policies - continued**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.

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. Up till August 2011, the council used to manage the Local Enforcement System in its locality and used to receive all the income generated from fines. As from 1 September 2011, the council started to form part of the Southern Region, which took management of Local Enforcement System and the council is receiving 10% administration fee on every fine paid at the Council. As from October 2015 LESA took over the administration of the Local Enforcement System.

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 live 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.

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

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are recognised as assets of the Council at their fair value, or if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets. Contingent rentals are recognised as expenses in the periods in which they are incurred. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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.

2. Accounting policies - continued**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.

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

	2021 €	2020 €
In terms of Section 55 of the Local Councils Act (Cap 363)	342,952	313,781
Other Government Income	27,733	40,976
Other supplementary income	0	3,277
	<u>370,685</u>	<u>358,034</u>

4. Investment income

	2021 €	2020 €
Bank interest receivable	7	21
	<u>7</u>	<u>21</u>

5. Local Enforcement System

	2021 €	2020 €
Administrative charges to Regional Committees	1,716	626
Contraventions	1,320	0
	<u>3,036</u>	<u>626</u>

6. General Income

	2021 €	2020 €
Income from permits	18,509	25,073
EU Programme	8,833	2,963
Other income	244	1,428
Contributions and donations	4,133	3,266
	<u>31,719</u>	<u>32,730</u>

7. Income from bye law

	2021 €	2020 €
Income from bye laws	2,409	771
	<u>2,409</u>	<u>771</u>

8. Personal Emoluments

	2021 €	2020 €
Mayor's allowance	10,571	10,403
Executive Secretary and allowances	32,240	31,401
Employees' salaries	19,311	18,118
Social Security Contributions	4,299	4,159
Councillors' remuneration	13,000	13,000
	<u>79,421</u>	<u>77,081</u>
Average number of people employed		
Employees	<u>2</u>	<u>2</u>

9. Operations and Maintenance

	2021 €	2020 €
Repairs and Upkeep:		
Road and street maintenance	12,928	13,433
Repair office furniture and equipment	289	2,357
Sundry repairs	21,214	11,813
	<u>34,431</u>	<u>27,603</u>
	2021 €	2020 €
Contractual Services:		
Refuse collection (including bins on wheels)	56,517	40,550
Waste disposal	14,063	19,260
Bulky refuse collection (including open skips)	14,581	21,724
Road and street cleaning (mechanical and manual)	32,514	22,061
Other contractual services	2,359	8,233
Cleaning and Maintenance of Council Premises	0	465
Cleaning and Maintenance of Public Conveniences	6,089	11,800
Cleaning and Maintenance of Parks and Gardens	5,700	5,700
Street Lighting Maintenance	3,278	3,119
LES related expenditure	451	556
	<u>135,552</u>	<u>133,468</u>
	<u>169,983</u>	<u>161,071</u>

10. Administrative and other expenditure

	2021	2020
	€	€
Water and Electricity	6,749	5,136
Telecommunications	4,982	6,583
EU Programme	11,613	0
Rent	4,681	3,574
Printing and Stationery	6,149	1,188
Postages	92	173
Subscriptions	22	387
Library	2,222	1,586
National & International membership	0	(384)
Meetings and conventions	874	0
Office services	702	2,344
Transport	447	(400)
Insurance	2,579	2,180
Professional services	32,510	34,696
Community and hospitality	16,640	12,118
Bank charges	703	272
Depreciation	34,241	25,015
Amortisation charge	0	456
Loss on disposal	0	470
Provision for bad LES debts	0	(163)
Advertising and Public Relations	4,022	3,525
Sundry minor expenses	0	350
	129,228	99,106

12. Intangible asset

	Computer Software €
At 1 January 2020	
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>
Movements for the year ended 31 December 2021	
Opening net book amount	749
Additions	6,109
Grants	(5,177)
Amortisation charge	(634)
Closing net book amount	<u>1,047</u>
At 31 December 2021	
Cost	9,416
Grants	(5,177)
Accumulated amortisation	(3,192)
Net book amount	<u>1,047</u>

Amortisation of €634 (2020: €456) is included in administrative expenses.

13a. Property, plant and equipment

Cost	New										Total €	
	Office Furniture, Fixtures & Fittings €	Office Equipment €	Computer Equipment €	Street Signs €	Urban Improv. €	Construction €	Special Programmes €	Trees €	Plant & Machinery €	Motor Vehicles €		Assets under Construction €
At 1 January 2021	61,167	25,928	9,111	8,924	265,574	270,643	517,472	4,113	1,675	0	0	1,164,607
Additions	739	1,204	2,802	0	36,574	0	0	25,960	0	41,000	7,034	115,313
Disposals/Transfers	0	0	0	0	0	0	0	0	0	0	0	0
At 31st December 2021	61,906	27,132	11,913	8,924	302,148	270,643	517,472	30,073	1,675	41,000	7,034	1,279,920
Grants												
At 1 January 2021	0	10,075	0	0	60,731	82,063	332,048	0	0	0	0	484,917
Transferred during the year	0	0	0	0	22,713	4,189	0	25,960	0	36,000	0	88,862
Reversed	0	0	0	0	0	0	0	0	0	0	0	0
At 31st December 2021	0	10,075	0	0	83,444	86,252	332,048	25,960	0	36,000	0	573,779
Depreciation												
At 1 January 2021	48,933	12,964	7,127	8,924	158,635	172,763	168,629	0	1,231	0	0	579,206
Charge for the period	1,329	2,032	1,154	0	8,293	10,499	9,987	0	116	197	0	33,607
Released on disposal	0	0	0	0	0	0	0	0	0	0	0	0
At 31st December 2021	50,262	14,996	8,281	8,924	166,928	183,262	178,616	0	1,347	197	0	612,813
Net Book Value												
At 31st December 2021	11,644	2,061	3,632	0	51,776	1,129	6,808	4,113	328	4,803	7,034	93,328

13b. Property, plant and equipment

	Office Furniture, Fixtures & Fittings €	Office Equipment €	Computer Equipment €	New Street Signs €	Urban Improv. €	Construction €	Special Programmes €	Trees €	Plant & Machinery €	Assets under Construction €	Total €
At 1 January 2020	57,393	23,548	8,266	8,924	242,517	182,854	517,472	4,113	1,554	2,226	1,048,867
Additions	10,759	3,396	2,285	0	23,057	90,549	0	0	121	0	130,167
Reclassification	0	0	0	0	0	0	0	0	0	(2,226)	(2,226)
Disposals/Transfers	(6,985)	(1,016)	(1,440)	0	0	(2,760)	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	1,164,607
Grants											
At 1 January 2020	0	10,075	0	0	63,110	0	332,048	0	0	0	405,233
Transferred during the year	0	0	0	0	0	82,063	0	0	0	0	82,063
Reversed	0	0	0	0	(2,379)	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	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	565,922
Charge for the period	1,070	1,556	863	0	7,972	3,465	9,987	0	102	0	25,015
Released on disposal	(6,832)	(982)	(1,440)	0	0	(2,477)	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	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	100,484

14. Receivables

	2021 €	2020 €
Receivables	15,821	30,719
Accrued income	19,138	1,000
Financial assets	34,959	31,719
Prepayments	3,430	2,770
Advance payments	0	3,734
Other receivables	0	3,453
	38,389	41,676

The total financial assets for the year amounted to €34,959 (2020: €31,719).

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.

	2021 €	2020 €
Age of receivables that are past due but not impaired		
60-90 days	5,742	3,636
91-120 days	1,820	3,719
More than 120 days	8,259	23,364
Total	15,821	30,719

	2021 €	2020 €
Movement in the allowance for doubtful debts		
Balance at beginning of the year	135,048	135,211
Reduction in provision for LES debtors	-	(163)
Balance at end of the year	135,048	135,048

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 after a specific provision for doubtful debts of €22,940 (2020: €22,940).

LES Debtors are stated after a specific provision for doubtful debts of €112,108 (2020: €112,108).

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:

	2021 €	2020 €
Term deposit 1 year	10,315	10,315
Bank balances:		
Ordinary funds	344,669	270,321
Cash in hand	810	230
	<hr/>	<hr/>
Cash at bank	355,794	280,866
Bank Balance overdrawn	(590)	0
	<hr/>	<hr/>
	355,204	280,866

16. Payables

	2021 €	2020 €
Payables	36,121	34,028
Advance Payment	0	0
Other Payables	3,014	8,290
Accruals	10,902	12,457
Bank Balance overdrawn	590	0
	<hr/>	<hr/>
Financial liabilities	50,627	54,775
Deferred Income	78,540	38,833
	<hr/>	<hr/>
	129,167	93,608

The total financial liabilities for the year amounted to €50,627 (2020: €54,775)

17. Contingent liabilities

There were no Contingent Liabilities as at 31 December 2021.

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:

	2021	2020
	€	€
(a) Funds received from Local Government	342,952	313,781

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:

	2021	2020
	€	€
Classes of financial assets – carrying amounts		
Trade and other receivables	34,959	31,719
Cash and cash equivalents	355,794	280,866
	<u>390,753</u>	<u>312,585</u>

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 €355,794 (2020: €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 €265,016 (2020: €228,934) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

At 31 December 2021 the council's financial liabilities have contractual maturities which are summarised below:

At 31 December 2021

	Current Within 1 year €	Non-current 1 to 5 Years €	Later than 5 years €
Payables	36,121	-	-
Other creditors	3,014	-	-
Accruals	10,902	-	-
Bank Balance overdrawn	590	-	-

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

At 31 December 2020

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	34,028	-	-
Other creditors	8,290	-	-
Accruals	12,457	-	-

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:

	2021 €	2020 €
Current assets		
Loans and receivables:		
Trade and other receivables	34,959	31,719
Cash and cash equivalents	355,794	280,866
	<u>390,753</u>	<u>312,585</u>
 Current liabilities		
Financial liabilities measured at amortised costs:		
Payables	36,121	34,028
Other payables	3,014	8,290
Accruals	10,902	12,457
Bank Balance Overdrawn	590	0
	<u>50,627</u>	<u>54,775</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	173,200	154,000
	<u>173,200</u>	<u>154,000</u>