



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 28 April 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
		407,849	392,161
Expenditure			
Personal emoluments	8	79,421	77,081
Operations and maintenance	9	170,080	161,071
Administrative and other expenditure	10	127,553	99,106
		377,054	337,258
Operating profit for the year		30,795	54,903
Investment income	4	7	21
Profit for the year		30,802	54,924
Total comprehensive income for the year		30,802	54,924

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	11	1,047	749
Tangible assets			
Property, plant and equipment	12	86,294	100,484
		87,341	101,233
Current assets			
Receivables	13	41,937	41,676
Cash and cash equivalents	14	355,613	280,866
		397,550	322,542
Total Assets		484,891	423,775
Reserves			
Retained Fund		360,969	330,167
Current Liabilities			
Payables	15	123,922	93,608
Total Liabilities		123,922	93,608
Total Reserves and Liabilities		484,891	423,775

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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	30,802	30,802
Balance at 31 December 2021	360,969	360,969

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		30,802	54,924
Adjustments for:			
Depreciation	12a	33,607	25,015
Amortisation charge	11	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		65,036	80,681
(Increase)/decrease in receivables		(261)	26,624
Increase /(decrease) in payables		30,314	(103,883)
		<hr/>	<hr/>
Net cash generated from operating activities		95,089	3,422
		<hr/>	<hr/>
Cash flows used in investing activities			
Investment income receivable		7	21
Grants received		101,073	79,684
Payment to acquire property, plant and equipment	12a	(115,313)	(127,941)
Payment to acquire intangible asset	11	(6,109)	(194)
		<hr/>	<hr/>
Net cash used in investing activities		(20,342)	(48,430)
		<hr/>	<hr/>
Movement in cash and cash equivalents		74,747	(45,008)
		<hr/>	<hr/>
Cash and cash equivalents at the beginning of the year		280,866	325,874
		<hr/>	<hr/>
		355,613	280,866
Bank Balance Overdrawn		(590)	0
Cash and cash equivalents at the end of the year	14	355,023	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.

2. Accounting policies - continued**c. New or revised standards or interpretations****New standards adopted as at 1 January 2021**

Some accounting pronouncements which have become effective from 1 January 2021 and have therefore been adopted do not have a significant impact on the Local Council's financial results or position.

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 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.

Management anticipates that all of 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. No new standards, amendments and interpretations are expected to be relevant to the Local Council's financial statements.

d. 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.

e. 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.

f. 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.

2. Accounting policies - continued**g. 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 i).

h. 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.

2. Accounting policies - continued**i. Impairment of assets**

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

j. Financial instruments**Recognition and derecognition**

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

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

Classification and initial measurement of financial assets

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

Financial assets are classified into the following categories:

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

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

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within 'finance costs', 'finance income' or 'other financial items'.

2. Accounting policies - continued**j. Financial instruments – continued****Subsequent measurement of financial assets**

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Local Council's cash and cash equivalents, and most receivables fall into this category of financial instruments.

Impairment of financial assets

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

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

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

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

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

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

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

2. Accounting policies - continued**j. Financial instruments – continued****Classification and measurement of financial liabilities**

The Local Council's financial liabilities include payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Local Council designates a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'finance costs' or 'finance income'.

k. 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.

l. 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.

m. 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**n. Finance leases**

In the current year, the Local Council has applied IFRS 16, Leases that is effective for periods that begin on or after 1 January 2019. IFRS 16 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-of-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 current lease guidance of IAS 17 and the related interpretations.

The adoption of IFRS 16 has not had an impact on the financial position and financial performance of the Local Council.

o. 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.

p. 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.

q. 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.

3. Funds Received from Central Government

	2021 €	2020 €
In terms of Section 55 of the Local Councils Act (Cap 363)	324,952	313,781
Other Government Income	45,733	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	1,534	1,428
Contributions and donations	2,843	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>
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9. Operations and maintenance

	2021 €	2020 €
Repairs and upkeep:		
Road and street maintenance	13,021	13,433
Repair office furniture and equipment	289	2,357
Sundry repairs	21,214	11,813
	<u>34,524</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	6,093	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>135,556</u>	<u>133,468</u>
	<u>170,080</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	4,390	1,188
Postages	103	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	16,713	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
	127,553	99,106

11. 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.

12a. Property, plant and equipment

	Office Furniture, Fixtures & Fittings €	Office Equipment €	Computer Equipment €	New Street Signs €	Urban Improv. €	Construction €	Special Programmes €	Trees €	Plant & Machinery €	Motor Vehicles €	Assets under Construction €	Total €
Cost												
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	7,034	95,896
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	7,034	580,813
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	0	86,294

12b. 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 €
Cost											
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

13. 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	3,548	3,734
Other receivables	0	3,453
	41,937	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

13. 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).

14. 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	629	230
Cash at bank	355,613	280,866
Bank Balance overdrawn	(590)	0
	355,023	280,866

15. Payables

	2021	2020
	€	€
Payables	37,910	34,028
Advance Payment	29,506	0
Other Payables	3,857	8,290
Accruals	10,059	12,457
Bank Balance overdrawn	590	0
Financial liabilities	81,922	54,775
Deferred Income	42,000	38,833
	123,922	93,608

The total financial liabilities for the year amounted to €81,922 (2020: €54,775)

16. Contingent liabilities

There were no Contingent Liabilities as at 31 December 2021.

17. 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	324,952	313,781

17. 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.

18. 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	355,613	280,866
	390,572	312,585

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

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the 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 €355,613 (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 €273,628 (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	37,910	-	-
Advance Payment	29,506	-	-
Other creditors	3,857	-	-
Accruals	10,059	-	-
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.

19. 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	355,613	280,866
	<u>390,572</u>	<u>312,585</u>
Current liabilities		
Financial liabilities measured at amortised costs:		
Payables	37,910	34,028
Advance Payment	29,506	0
Other payables	3,857	8,290
Accruals	10,059	12,457
Bank Balance Overdrawn	590	0
	<u>81,922</u>	<u>54,775</u>

20. Fair values estimation

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

21. Capital commitments**Capital expenditure**

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

	2021 €	2020 €
Authorised but not contracted	<u>173,200</u>	<u>154,000</u>