

Local Council Zabbar

Annual Audit Report

for the year ended 31 December 2021

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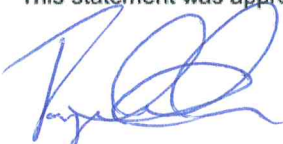
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**Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2021**

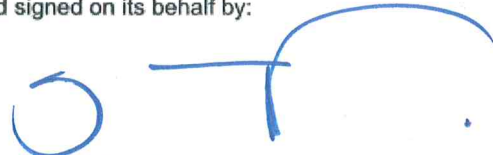
The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of comprehensive income for the year, and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the 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, and the Local Council (Financial) Procedures issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Council (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on 16 August 2022 and signed on its behalf by:



Jorge Grech
Mayor



Stephanie Testaferrata De Noto
Executive Secretary

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**Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2021**

	Notes	2021 €	2020 €
Revenue			
Funds received from Central Government	3	1,169,347	1,160,854
Income raised under Local Council Bye-Laws	4	43,439	35,428
Income raised under Local Enforcement System	5	11,048	7,964
General Income	7	1,437	192
		<u>1,225,271</u>	<u>1,204,438</u>
Expenditure			
Personal Emoluments	8	(170,802)	(165,474)
Operations and maintenance	9	(545,132)	(511,588)
Administration and other expenditure	10	(262,948)	(241,254)
		<u>(978,882)</u>	<u>(918,316)</u>
Operating profit for the year		246,389	286,122
Finance income	6	-	35
Profit for the year	8	<u>246,389</u>	<u>286,157</u>

The notes on pages 9 to 27 form an integral part of these financial statements.

		2021	2020
	Notes	€	€
ASSETS			
Non-Current Assets			
Property, plant and equipment	11	817,669	796,344
		<u>817,669</u>	<u>796,344</u>
Current Assets			
Receivables	12	49,516	229,812
Cash and cash equivalents	13	1,769,549	1,330,451
		<u>1,819,065</u>	<u>1,560,263</u>
Total Assets		<u>2,636,734</u>	<u>2,356,607</u>
RESERVES			
Retained earnings		2,418,058	2,171,669
Total reserves		<u>2,418,058</u>	<u>2,171,669</u>
Non-Current Liabilities			
Long-term borrowings	15	-	15,605
		<u>-</u>	<u>15,605</u>
Current Liabilities			
Trade and other payables	14	194,079	157,990
Short-term borrowings	15	24,597	11,343
Total Current Liabilities		<u>218,676</u>	<u>169,333</u>
Total Liabilities		<u>218,676</u>	<u>184,938</u>
Total reserves and liabilities		<u>2,636,734</u>	<u>2,356,607</u>

These financial statements were approved by the Local Council on 16th August 2022 and signed on its behalf by:

Jorge Grech
Mayor

Stephanie Testaferrata De Noto
Executive Secretary

The notes on pages 9 to 27 form an integral part of these financial statements.

**Statement of Changes in Equity
for the year ended 31 December 2021.**

	Retained Earnings	Total
	€	€
At 1 January 2020	1,885,512	1,885,512
Profit for the year	286,157	286,157
At 31 December 2020	<u>2,171,669</u>	<u>2,171,669</u>
 At 1 January 2021	 2,171,669	 2,171,669
Profit for the year	246,389	246,389
At 31 December 2021	<u>2,418,058</u>	<u>2,418,058</u>

Statement of Cash Flows
for the year ended 31 December 2021

	2021		2020	
	€	€	€	€
Net profit for the year	246,389		286,157	
Reconciliation to cash generated from operations:				
Amortisation and Depreciation	137,710		141,112	
Property plant & equipment written off	14,754		26,229	
Movement in Provision for Doubtful Debts	(6,236)		(1,107)	
Interest receivable	-		(35)	
Operating surplus before working capital changes	392,617		452,356	
Decrease in inventories	-		9,402	
(Increase)/decrease in receivables & other receivables	78,763		(74,930)	
(Increase)/ decrease in other receivables	107,771		(6,646)	
(Decrease) / (increase) in payables	(26,506)		21,238	
(Decrease)/increase in other payables	60,243		(44,752)	
Cash generated from operating activities		612,888		356,668
Cash flow from investing activities				
Interest received	-		35	
Purchase of property, plant & equipment	(78,279)		(73,687)	
Grants written off	(100,000)		-	
Grants received	4,489		43,797	
Cash used in investing activities		(173,790)		(29,855)
Net Increase in cash in the year		439,098		326,813
Cash and equivalents at beginning of year		1,330,451		1,003,638
Cash and equivalents at end of year (Note 13)		1,769,549		1,330,451

1. General Information

The Zabbar Local Council is the local Authority of Malta set up in accordance with the Local Councils Act(1993). The office of the Local Council is situated at Civic Centre, Triq ic-Cawqli, Zabbar, Malta. These financial statements were approved for issue by the Council Members on 16 August 2022. The Local Council's presentation as well as functional currency is €.

2. Accounting Policies and Reporting Procedures

The principal accounting policies applied 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 change in the depreciation from reducing balance method to straight line method and accounting for grants from income approach to the capital approach has been effected according to the instructions as per DLG Directive 1/2017.

Accounting convention

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

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

New and amended standards adopted by the Local Council

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

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2021, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Local Council.

Amendments to IAS 37 - amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

Annual Improvements to IFRS Standards 2018–2020. The pronouncement contains amendments to four International Financial Reporting Standards (IFRSs) as result of the IASB's annual improvements project. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

Amendments to IAS 16, regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

Amendments to IAS 37, amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether contract is onerous. The amendments are effective for annual reporting periods on or after 1 January 2022.

Amendments to IAS 8 - to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023.

Amendments to IAS 1 and IFRS Practice Statement 2 - amendment that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2023.

The Councillors are assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Councillors anticipate that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses to date. Depreciation is calculated on a monthly basis using the straight line method at rates calculated to write off the cost of each asset over its expected useful life as follows:

	%
Land	0
Trees	0
Buildings	1
Office Furniture and Fittings	7.5 - 100
Construction Works Completed	10 - 100
Urban Improvements (Street Furniture)	10 - 100
Special Projects	10 - 100
Office Equipment	20 - 100
Motor Vehicles	20 - 100
Plant and Machinery	20 - 100
Computer Equipment	25 - 100
Plants	100
Litter Bins	Replacement Basis
Playground Furniture	100
Traffic Signs	Replacement Basis
Road Signs	Replacement Basis
Street Mirrors	Replacement Basis
Street Lights	100

Assets not yet capitalised represents projects of the Council and is stated at cost. Costs included under assets not yet capitalised will be transferred to various asset categories upon completion. The account is not depreciated until such time that the asset is completed and available for use.

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 end of the reporting period. 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 company 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.

Fully depreciated assets are retained in the accounts until these are no longer in use and no further charge for depreciation is made in respect to those assets.

Impairment of trade and other receivables

Trade and other assets are measured at fair value, with changes in fair value subsequently recognised in profit and loss. The Council applies the simplified approach for all trade receivables and contract assets. Accordingly, the assessment to determine whether there is a significant increase in credit risk is not applicable for such financial assets.

Where the Council does not have reasonable and supportable information that is available without undue cost or effort to measure life time expected credit loss on an individual instrument basis and in order to ensure the life time expected credit losses are recognised before an asset becomes credit-impaired or an actual default occurs, life time expected credit losses on the remaining financial assets are measured on a collective basis. In such instances and where appropriate, the financial instruments are grouped on the basis of shared credit risk characteristics and the life time expected credit losses are estimated using a provision matrix based on actual credit loss experience over past years, which is adjusted to reflect current conditions and the Council's view of economic conditions over the expected lives of the receivables.

Such adjustments are based on factors that are specific to the debtors and economic and industry indicators such as GDP, unemployment rates and/or industry projections, where applicable, unless the effect is considered to be immaterial.

The Council's trade receivables are of a short-term nature as they are based on credit terms of less than one year and, thus, do not include a significant financing component.

For the purpose of the provision matrix, loss rates are calculated using a 'roll rate' method based on the probability a receivable progressing through successive stages of delinquency over a selected period, taking into consideration the applicable credit terms for such debtors and the past due status. Unless the effect is immaterial, for receivables after 360 days, the loss rate was adjusted to take into consideration the proportion of actual recoveries over the selected period.

Impairment of cash and cash equivalents

Cash and cash equivalents are demand deposits, a 1-day probability of default has been applied, based on the respective external ratings of the counterparty banks and an adequate loss given default rate to the carrying amount at the measurement date.

The Council banks with local financial institutions with high quality standing and rating and management consider the probability of default to be close to zero.

Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard No. 24.

Revenue

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the profit or loss as it accrues.

Local Enforcement System

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

Government grants

Government grants relating to operating expenditure are recognized 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.

Foreign currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the Local Council operates. These financial statements are presented in €, which is the Council's functional and presentation currency.

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

Profits and losses

Only losses that were realised at the date of the statement of financial position are recognised 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.

Cash and equivalents

Cash and Cash Equivalents are carried in the statement of financial position. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and balances held with banks.

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 transactions costs. They are measured subsequently as described below.

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, which are 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 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 considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risks characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

Financial liabilities

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

All interest-related charges are included within 'finance costs.'

Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Council, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 .

Capital management policies

The Council's objectives when managing capital are:

- to safeguard the council's ability to continue as a going concern, so that it can continue to provide services and benefits to its local community

The Council sets the amount of capital in proportion to risk. The Council manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The Council monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt + adjusted capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Adjusted capital comprises of retained earnings.

Going concern assumption

These financial statements are prepared on a going concern basis. The Central Government has also committed itself to continue support the Local Council by the annual financial allocation.

3. Funds received from central government

	2021	2020
	€	€
In terms of section 55 of the Local Council Act	1,061,186	1,038,297
Supplementary Government Income	13,994	-
Other Government Income	94,167	122,557
	<u>1,169,347</u>	<u>1,160,854</u>

4. Income raised from Bye-Laws

	2021	2020
	€	€
Income from Bye-Laws	43,439	35,428
	<u>43,439</u>	<u>35,428</u>

5. Local Enforcement income

	2021	2020
	€	€
Contraventions and other fines	(45)	(291)
Income from LES administration fees	11,093	8,255
	<u>11,048</u>	<u>7,964</u>

6. Finance Income

	2021	2020
	€	€
Bank Interest	-	35
	<u>-</u>	<u>35</u>

7. General Income

	2021	2020
	€	€
Publications	70	150
Refund of expenses	1,367	42
	<u>1,437</u>	<u>192</u>

8. Profit for the year

	2021	2020
	€	€
Profit for the year is stated after charging:		
Staff salaries	170,802	165,474
Depreciation of property, plant and equipment	137,711	141,112
	<u>170,802</u>	<u>141,112</u>

Personal Emoluments

	2021	2020
	€	€
Mayor's Allowance	19,967	19,649
Councillors' Allowance	27,400	27,401
Executive Secretary Salary and Allowances	37,370	35,378
Employees' Salaries	76,622	73,337
Social Security Contributions	9,443	9,709
	<u>170,802</u>	<u>165,474</u>

The average number of people employed during the year is 16 (2020:17).

9. Operations and Maintenance

	2021	2020
	€	€
<i>Repairs and Upkeep:</i>		
Public Property	6,279	15,633
Road/Street Pavements	22,065	16,082
Restoration of cultural assets	11,284	5,051
Signs	10,358	8,965
Road Markings	6,266	12,479
Office Furniture and Equipment	2,336	7,560
Plant & Equipment	899	1,239
Council Property	1,993	805
	<u>61,480</u>	<u>67,814</u>

<i>Contractual Services:</i>		
Refuse Collection	154,643	154,607
Bulky Refuse Collection	29,770	32,088
Open skips	320	360
Tipping Fees	89,461	94,162
Cleaning Services	-	2,273
Road & Street Cleaning	105,086	67,140
Cleaning & Maint. Non-Urban	12,331	12,331
Cleaning - Public Conveniences	21,270	24,374
Cleaning - Council Premises	1,481	1,100
Other Contractual Services	5,050	2,950
Clean. & Maint. Parks & Gardens	14,350	8,403
Cleaning & Maintenance - Soft Areas	30,744	30,155
Street Lighting	15,933	13,642
Studies & Consultations	2,100	-
Local Enforcement Expenses	1,112	189
	<u>483,651</u>	<u>443,774</u>
	<u>545,131</u>	<u>511,588</u>

10. Administration and other expenditure

	2021	2020
	€	€
Utilities	13,016	11,358
Operating materials & supplies	2,200	2,864
Rent	4,848	4,664
Participation fee - Nat. Mtg.	-	86
Membership - Local Organisations	-	816
Office Services	3,593	2,897
Transport	1,903	3,552
Travel	606	-
Information Services	9,203	11,275
Lease of Equipment	90	70
Insurance Coverage	5,657	4,516
Bank Charges	5,504	356
Professional Services	47,761	21,843
Office services	-	738
Training	236	-
Conference Expenses	769	758
Annual General Meeting	416	429
Social Events	912	495
Cultural Events	31,303	22,916
Community Services	3,302	397
General expenses	154	55
Provision for LES receivables	(6,236)	(1,107)
Stock write off	-	11,164
Depreciation	137,711	141,112
	<u>262,948</u>	<u>241,254</u>

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

11. Property, plant and equipment

	Trees	Construction Works	Furniture & Fittings	New Street Signs Improvements	Urban	Office & Computer Equipment	Plant & Machinery	Motor Vehicles	Assets not yet Capitalised	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
At 1 January 2020	29,467	3,113,660	102,954	31,395	438,974	55,205	35,691	18,386	68,649	3,894,381
Additions	-	14,847	4,969	-	23,519	10,016	1,860	12,500	5,976	73,687
Reclassifications	-	20,250	-	-	-	-	-	-	(20,250)	-
Write offs	-	(6,916)	-	-	-	-	-	-	(19,313)	(26,229)
At 31 December 2020	29,467	3,141,841	107,923	31,395	462,493	65,221	37,551	30,886	35,062	3,941,839
Grants										
At 1 January 2020	16,851	1,384,686	-	-	55,241	2,908	14,800	-	10,729	1,485,215
Grants for the year	-	31,189	598	-	5,196	5,847	967	-	-	43,797
Reclassification	-	3,244	-	-	-	-	-	-	(3,244)	-
At 31 December 2020	16,851	1,419,119	598	-	60,437	8,755	15,767	-	7,485	1,529,012
Depreciation										
At 1 January 2020	-	1,098,446	69,205	31,395	205,758	33,145	19,036	18,386	-	1,475,371
Charge for the year	-	118,873	4,436	-	9,943	5,189	1,838	833	-	141,112
At 31 December 2020	-	1,217,319	73,641	31,395	215,701	38,334	20,874	19,219	-	1,616,483
Net book values										
At 31 December 2020	12,616	505,403	33,684	-	186,355	18,132	910	11,667	27,577	796,344

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

11. Property, plant and equipment	Trees	Construction Works	Furniture & Fittings	New Street Signs	Urban Improvements	Office & Computer Equipment	Plant & Machinery	Motor Vehicles	Assets not yet Capitalised	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
At 1 January 2021	29,467	3,141,841	107,923	31,395	462,493	65,221	37,551	30,886	35,062	3,941,839
Additions	150	9,812	13,156	-	6,511	3,969	3,365	264	41,052	78,279
Written off	-	(3,409)	-	-	-	-	-	-	(11,345)	(14,754)
At 31 December 2021	29,617	3,148,244	121,079	31,395	469,004	69,190	40,916	31,150	64,769	4,005,364
Grants										
At 1 January 2021	16,851	1,419,119	598	-	60,437	8,755	15,767	-	7,485	1,529,012
Grants for the year	-	(95,511)	-	-	-	-	-	-	-	(95,511)
	16,851	1,323,608	598	-	60,437	8,755	15,767	-	7,485	1,433,501
Depreciation										
At 1 January 2021	-	1,217,319	73,641	31,395	215,701	38,334	20,874	19,219	-	1,616,483
Charge for the year	-	106,996	4,702	-	15,284	7,038	1,147	2,544	-	137,711
At 31 December 2021	-	1,324,315	78,343	31,395	230,985	45,372	22,021	21,763	-	1,754,194
Net book values										
At 31 December 2021	12,766	500,321	42,138	-	177,582	15,063	3,128	9,387	57,284	817,669

12. Receivables

	2021	2020
	€	€
Receivables	30,435	109,199
Other receivables	2,699	5,440
Accrued income	11,334	111,913
Financial assets	44,468	226,552
Prepayments	5,048	3,260
	<u>49,516</u>	<u>229,812</u>

Receivables

General receivables are analysed as follows:

	2021	2020
	€	€
Within credit period	7,514	6,718
Exceeded credit period but not impaired	22,921	102,481
	<u>30,435</u>	<u>109,199</u>

Receivables are stated after a specific provision for doubtful debts amounting to € 37,829 (2020 : € 37,829).

Related party balances - LES Debtors

LES debtors are stated after a specific provision for doubtful debts amounting to € 350,480 (2020:€ 356,716).

The movement in the provision for doubtful debts is as follows:

	2021	2020
	€	€
Balance at 1 January	356,716	357,823
Decrease in provision for LES debtors	(6,236)	(1,107)
Balance at 31 December	<u>350,480</u>	<u>356,716</u>

13. Cash and equivalents

	2021	2020
	€	€
Bank Balances	1,768,939	1,330,411
Cash in Hand	610	40
Cash at bank and in hand	<u>1,769,549</u>	<u>1,330,451</u>
Cash and cash equivalents	<u>1,769,549</u>	<u>1,330,451</u>

14. Payables

	2021	2020
	€	€
Payables	55,985	82,491
Other payables	5,853	5,125
Accruals	66,607	56,699
Financial liabilities	<u>128,445</u>	<u>144,315</u>
Grants not yet utilised	65,634	13,675
	<u>194,079</u>	<u>157,990</u>

Current financial liabilities are carried at their nominal value which is considered a reasonable approximation of fair value.

15. Borrowings

	2021	2020
	€	€
Non-current		
Third party borrowings	-	15,605
Current		
Third party borrowings	<u>24,597</u>	<u>11,343</u>
Third Party Borrowings		
Repayable within one year	<u>24,597</u>	<u>11,343</u>
Repayable between one and two years	<u>-</u>	<u>15,605</u>

Third party borrowings

Third party borrowings represent dues to the public private partnership payable. The Council entered into this agreement to carry out road resurfacing works. These amounts are unsecured and interest free.

16. Capital commitments

	2021	2020
	€	€
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	606,315	906,615
These could be analysed as follows:		
<i>(i) Approved but not yet contracted for:</i>		
Urban Improvements	23,775	38,775
Construction	565,540	865,840
Office furniture & fittings	-	2,000
Office equipment	17,000	-
	<u>606,315</u>	<u>906,615</u>

17. Contingent liabilities

The Council has disputes and claims with its local suppliers amounting to € 9,368 (2020: € 9,368).

A third party has instituted legal proceedings against the Council demanding the amount of € 3,885 (2020 : € 3,885.01) due to an incident that happened at Zabbar. Though the Local Council has won the arbitrage decision, the decision has been appealed by the third party. The amount has not been provided for.

18. Related party transactions

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Government	Significant control
Regional Committee (Local Enforcement)	Joint control
Fgura Joint Committee (Local Enforcement)	Joint control
Local Enforcement System Agency	No control
Gozo Regional Committee	No control
North Regional Committee	No control
South Regional Committee	No control
South Eastern Regional Committee	No control
Central Regional Committee	No control
Public General Head Quarters	No control
Local Councils' Association	No control
Malta Information Technology Agency	No control
Malta Communication Authority	No control
Malta Tourism Authority	No control
Malta Transport Authority	No control
Lands Authority	No control
Commissioner for Revenue	No control
Permanent Secretary - Ministry of Education	No control
Permanent Secretary - Ministry for Family & Social Solidarity	No control
Bank of Valletta plc	No control
Airmalta plc	No control
Jobs plus	No control
Arms Limited	No control
Planning Authority	No control
Environment and Resources Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Cleansing Services Department	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Commissioner for Data Protection	No control

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

	2021	2020
	€	€
Annual Financial Allocation	1,061,186	1,038,297

Key management compensation

Transactions with key management personnel are disclosed in note 8.

19. Financial Risk Management

The exposure to risk and the way risks arise, together with the Local Council's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below.

The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development.

Where applicable, any significant changes in the Local Council's exposure to financial risks or manner in which the council manages and measures these risks are disclosed below.

Where possible, the Local Council aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of the risk exposure associated with financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

<i>Categories of financial instruments</i>	2021	2020
<i>Financial assets at amortised cost</i>	€	€
<i>Loans and Receivables</i>		
Cash and bank balances	1,769,549	1,330,451
Receivables	44,469	266,552
	<u>1,814,018</u>	<u>1,597,003</u>
<i>Financial liabilities at amortised cost</i>		
Trade payables and other payables	128,445	144,315
Borrowings - current	24,597	11,343
Borrowings - long term	-	15,605
	<u>153,042</u>	<u>171,263</u>

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

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

Credit risk

The Council applies the simplified approach for all trade receivables and contract assets which uses a lifetime expected allowance. Accordingly, the assessment to determine whether there is a significant increase in credit risk is not applicable for such financial assets.

Where the Council does not have reasonable and supportable information that is available without undue cost or effort to measure life time expected credit loss on an individual instrument basis and in order to ensure the life time expected credit losses are recognised before an asset becomes credit-impaired or an actual default occurs, life time expected credit losses on the remaining financial assets are measured on a collective basis. In such instances and where appropriate, the financial instruments are grouped on the basis of shared credit risk characteristics and the life time expected credit losses are estimated using a provision matrix based on actual credit loss experience over past years, which is adjusted to reflect current conditions and the Council's view of economic conditions over the expected lives of the receivables

Such adjustments are based on factors that are specific to the debtors and economic and industry indicators such as GDP, unemployment rates and/or industry projections, where applicable, unless the effect is considered to be immaterial.

The Council's trade receivables are of a short-term nature as they are based on credit terms of less than one year and, thus, do not include a significant financing component.

For the purpose of the provision matrix, loss rates are calculated using a 'roll rate' method based on the probability a receivable progressing through successive stages of delinquency over a selected period, taking into consideration the applicable credit terms for such debtors and the past due status. Unless the effect is immaterial, for receivables after 360 days, the loss rate was adjusted to take into consideration the proportion of actual recoveries over the selected period.

As at 31 December 2021, trade receivables of € 22,921 (2020 : € 102,481) were past due but not impaired. The ageing of these past due trade receivables was over 1 month. These mainly related to a number of government entities for whom there is no recent history of default and exposure is very limited. Whilst a number of customers account for a certain percentage of the Council's past due trade debts, management has not identified any major concerns with respect to concentration of credit risk. Categorisation of trade receivables as past due is determined by the Council on the basis of the nature of the credit terms in place and credit arrangements actually utilised in managing exposures with customers. Exposure is immaterial.

Cash and cash equivalents

The Council banks only with local financial institutions with high quality standing or rating. At 31 December 2021, cash and cash equivalents are held with reputable counterparties and are callable on demand.

Liquidity risk

The Council is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise trade and other payables. Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the Council's obligations.

Management monitors liquidity risk by reviewing expected cash flows and ensures that no additional financing facilities are expected to be required over the coming year. The Council manages its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. At the end of the reporting period, the Local Council's net current asset position amounted to € 1,600,390 (2020: € 1,390,930) view of the matching of cash inflows and outflows arising from expected maturities of financial instruments. In this respect management does not consider liquidity risk to the Council as significant taking into account the liquidity management process referred to above.

The following table analyses the Council's financial liabilities into relevant maturity groupings based on the remaining period at 31 December 2021 to the contractual maturity date. The amounts disclosed below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Current		Non-Current		Total
	Payable within 1 year	Payable withing 1 & 2 years	Payable within 2 & 5 years	Payable after more than 5 years	
31 December 2021	€	€	€	€	€
Payables	55,985	-	-	-	55,985
Other payables	5,853	-	-	-	5,853
Accruals	66,607	-	-	-	66,607
Third party borrowings	24,597	-	-	-	24,597
	<u>153,042</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>153,042</u>

31 December 2020

Payables	82,491	-	-	-	82,491
Other payables	5,125	-	-	-	5,125
Accruals	56,699	-	-	-	56,699
Third party borrowings	11,343	15,605	-	-	26,948
	<u>155,658</u>	<u>15,605</u>	<u>-</u>	<u>-</u>	<u>171,263</u>

With respect to the maturity of the Council's financial liabilities as at 31 December 2021, the Council disclose that the trade and other payables are entirely repayable within one year from the end of the respective reporting period.

20. Fair values estimation

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

21. Events after the end of the reporting period

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