

Local Council Zabbar

Annual Audit Report

for the year ended 31 December 2020

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**Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2020**

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 30 August 2021 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 2020**

	Notes	2020 €	2019 €
Revenue			
Funds received from Central Government	3	1,160,854	1,079,564
Income raised under Local Council Bye-Laws	4	35,428	41,143
Income raised under Local Enforcement System	5	7,964	7,365
General Income	7	192	945
		<u>1,204,438</u>	<u>1,129,017</u>
Expenditure			
Personal Emoluments	8	(165,474)	(179,211)
Operations and maintenance	9	(511,588)	(423,645)
Administration and other expenditure	10	(241,254)	(286,539)
		<u>(918,316)</u>	<u>(889,395)</u>
Operating profit for the year		286,122	239,622
Finance income	6	35	304
Profit for the year		<u><u>286,157</u></u>	<u><u>239,926</u></u>

The notes on pages 9 to 28 form an integral part of these financial statements.

		2020	2019
	Notes	€	€
ASSETS			
Non-Current Assets			
Property, plant and equipment	11	796,344	933,795
		<u>796,344</u>	<u>933,795</u>
Current Assets			
Inventories	12	-	9,402
Receivables	13	229,812	147,125
Cash and cash equivalents	14	1,330,451	1,003,638
		<u>1,560,263</u>	<u>1,160,165</u>
Total Assets		<u>2,356,607</u>	<u>2,093,960</u>
RESERVES			
Retained earnings		2,171,669	1,885,512
Total reserves		<u>2,171,669</u>	<u>1,885,512</u>
Non-Current Liabilities			
Long-term borrowings	16	15,605	16,551
		<u>15,605</u>	<u>16,551</u>
Current Liabilities			
Trade and other payables	15	157,990	180,554
Short-term borrowings	16	11,343	11,343
Total Current Liabilities		<u>169,333</u>	<u>191,897</u>
Total Liabilities		<u>184,938</u>	<u>208,448</u>
Total reserves and liabilities		<u>2,356,607</u>	<u>2,093,960</u>

These financial statements were approved by the Local Council on 30th August 2021 and signed on its behalf by:

Jorge Grech
Mayor

Stephanie Testaferrata De Noto
Executive Secretary

The notes on pages 9 to 28 form an integral part of these financial statements.

**Statement of Changes in Equity
for the year ended 31 December 2020**

	Retained Funds	Total
	€	€
At 1 January 2019	1,645,586	1,645,586
Profit for the year	239,926	239,926
At 31 December 2019	<u>1,885,512</u>	<u>1,885,512</u>
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>

Statement of Cash Flows
for the year ended 31 December 2020

	2020		2019	
	€	€	€	€
Net profit for the year	286,157		239,926	
Reconciliation to cash generated from operations:				
Amortisation and Depreciation	141,112		126,710	
Property plant & equipment written off	26,229		-	
Movement in Provision for Doubtful Debts	(1,107)		(1,298)	
Interest receivable	(35)		(304)	
Government grant released	-		-	
Operating surplus before working capital changes	452,356		365,034	
Decrease in inventories	9,402		86	
(Increase) in receivables & other receivables	(74,930)		(13,322)	
(Increase)/ decrease in other receivables	(6,646)		24,243	
Increase / (decrease) in payables & other payables	21,238		(71,180)	
(Decrease)/increase in other payables	(44,752)		1,646	
Cash generated from operating activities		356,668		306,507
Cash flow from investing activities				
Interest received	35		304	
Purchase of property, plant & equipment	(73,687)		(271,839)	
Grants received	43,797		3,244	
Cash used in investing activities		(29,855)		(268,291)
Net increase in cash in the year		326,813		38,216
Cash and equivalents at beginning of year		1,003,638		965,422
Cash and equivalents at end of year (Note 14)		1,330,451		1,003,638

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-Cawsli, Zabbar, Malta. These financial statements were approved for issue by the Council Members on 30 August 2021. 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 ters 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

In the current year the Council has applied the below new and revised IFRS issued by IASB that is mandatory effective for financial year beginning 1st January 2020.

IAS 1 and IAS 8 Definition of Material include amendments to its definition of material to make it easier for companies to make materiality judgements. IAS 1 and IAS 8 Definition of Material, will be effective for financial periods beginning on, or after, 1 January 2020.

Amendments to references to the Conceptual Framework in IFRS standards include some important issues which were not covered or were unclear or out of date. It contain a new chapter on measurement; guidance on reporting financial performance; improved definitions of an asset and a liability and clarifications in important areas. These amendments will be effective for financial periods beginning on, or after, 1 January 2020.

Amendments to IFRS 9, IAS 39 and IFRS 7 as a first reaction to the potential effects the IBOR reform could have on financial reporting. The amendments are effective for annual reporting periods beginning on or after 1 January 2020.

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 2020, 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.

Amendment to IFRS 16- amending the standard to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendment is effective for annual reporting periods beginning on or after 1 June 2020.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (phase 2) - amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after 1 January 2021.

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 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	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

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.

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.

Leases

Accounting policy applicable from 1 January 2019

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

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

Measurement and recognition of leases

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

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

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

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

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

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

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

Accounting policy applicable before 1 January 2019

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

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

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a 'first in, first out' (FIFO) basis and includes freight and handling costs. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw materials. However, borrowing costs and foreign exchange differences are excluded. Net realisable value is the price at which stocks can be sold in the course of business less anticipated costs of selling. Provision is made where necessary for obsolete, slow moving and defective stocks.

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

	2020	2019
	€	€
In terms of section 55 of the Local Council Act	1,038,297	978,957
Supplementary Government Income	-	22,955
Other Government Income	122,557	77,652
	<u>1,160,854</u>	<u>1,079,564</u>

4. Income raised from Bye-Laws

	2020	2019
	€	€
Income from Bye-Laws	35,428	41,143
	<u>35,428</u>	<u>41,143</u>

5. Local Enforcement Income

	2020	2019
	€	€
Contraventions and other fines	(291)	(163)
Income from LES administration fees	8,255	7,528
	<u>7,964</u>	<u>7,365</u>

6. Investment Income

	2020	2019
	€	€
Bank Interest	35	304
	<u>35</u>	<u>304</u>

7. General Income

	2020	2019
	€	€
Publications	150	-
Refund of expenses	42	86
Insurance Claims	-	859
	<u>192</u>	<u>945</u>

8. Profit for the year

	2020	2019
	€	€
Profit for the year is stated after charging:		
Staff salaries	165,474	179,211
Amortisation & Depreciation of non-current assets	141,112	126,710
	<u>165,474</u>	<u>179,211</u>

*Note***Personal Emoluments**

	2020	2019
	€	€
Mayor's Allowance	19,649	18,216
Councillors' Allowance	27,401	20,414
Executive Secretary Salary and Allowances	35,378	30,038
Employees' Salaries	73,337	99,951
Social Security Contributions	9,709	10,592
	<u>165,474</u>	<u>179,211</u>

9. Operations and Maintenance

	2020	2019
	€	€
<i>Repairs and Upkeep:</i>		
Public Property	15,633	5,503
Road/Street Pavements	16,082	23,202
Restoration of cultural assets	5,051	-
Signs	8,965	10,234
Road Markings	12,479	5,630
Office Furniture and Equipment	7,560	6,281
Plant & Equipment	1,239	1,248
Other repairs and Upkeep	-	25
Council Property	805	5,265
	<u>67,814</u>	<u>57,388</u>

<i>Contractual Services:</i>		
Refuse Collection	154,607	107,897
Bulky Refuse Collection	32,088	29,257
Open skips	360	560
Tipping Fees	94,162	85,381
Cleaning Services	2,273	2,649
Road & Street Cleaning	67,140	52,740
Cleaning & Maint. Non-Urban	12,331	10,291
Cleaning - Public Conveniences	24,374	24,448
Cleaning - Council Premises	1,100	1,449
Other Contractual Services	2,950	2,483
Clean. & Maint. Parks & Gardens	8,403	12,666
Cleaning & Maintenance - Soft Areas	30,155	18,721
Street Lighting	13,642	17,441
Local Enforcement Expenses	189	274
	<u>443,774</u>	<u>366,257</u>
	<u>511,588</u>	<u>423,645</u>

10. Administration and other expenditure

	2020	2019
	€	€
Utilities	11,358	14,319
Operating materials & supplies	2,864	2,845
Rent	4,664	4,649
Participation fee - Nat. Mtg.	86	-
Membership - Local Organisations	816	1,325
Office Services	2,897	6,464
Transport	3,552	5,637
Travel	-	1,890
Information Services	11,275	5,044
Lease of Equipment	70	-
Insurance Coverage	4,516	4,878
Bank Charges	356	372
Professional Services	21,843	26,136
Office services	738	-
Training	-	350
Entertainment	-	(24)
Conference Expenses	758	725
Annual General Meeting	429	935
Social Events	495	229
Cultural Events	22,916	84,633
Community Services	397	705
General expenses	55	15
Provision for LES receivables	(1,107)	(1,298)
Stock write off	11,164	-
Depreciation	141,112	126,710
	<u>241,254</u>	<u>286,539</u>

**Notes to the Financial Statements
for the year ended 31 December 2020**

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 2019	29,467	2,807,297	99,100	31,395	387,923	52,655	35,301	18,386	157,774	3,619,298
Additions	-	174,424	3,854	-	51,051	2,550	390	-	42,814	275,083
Reclassifications	-	131,939	-	-	-	-	-	-	(131,939)	-
At 31 December 2019	29,467	3,113,660	102,954	31,395	438,974	55,205	35,691	18,386	68,649	3,894,381
Grants										
At 1 January 2019	16,851	1,298,193	-	-	55,241	2,908	14,800	-	93,978	1,481,971
Grants for the year	-	-	-	-	-	-	-	-	3,244	3,244
Reclassification	-	86,493	-	-	-	-	-	-	(86,493)	-
At 31 December 2019	16,851	1,384,686	-	-	55,241	2,908	14,800	-	10,729	1,485,215
Depreciation										
At 1 January 2019	-	992,929	64,845	31,395	195,240	27,598	18,268	18,386	-	1,348,661
Charge for the year	-	105,517	4,360	-	10,518	5,547	768	-	-	126,710
At 31 December 2019	-	1,098,446	69,205	31,395	205,758	33,145	19,036	18,386	-	1,475,371
Net book values										
At 31 December 2019	12,616	630,528	33,749	-	177,975	19,152	1,855	-	57,920	933,795

Notes to the Financial Statements
for the year ended 31 December 2020

1.1. Property, plant and equipment	Notes to the Financial Statements for the year ended 31 December 2020										Total
	Trees	Construction Works	Furniture & Fittings	New Street Signs	Urban Improvements	Office & Computer Equipment	Plant & Machinery	Motor Vehicles	Assets not yet Capitalised		
	€	€	€	€	€	€	€	€	€	€	€
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)	-	
Written off	-	(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)	-	
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	

12. Inventories

	2020	2019
	€	€
Books for sale	-	9,402

13. Receivables

	2020	2019
	€	€
Receivables	109,199	34,265
Other receivables	5,440	2,936
Accrued income	111,913	106,155
Financial assets	226,552	143,356
Prepayments	3,260	3,769
	<u>229,812</u>	<u>147,125</u>

Receivables

General receivables are analysed as follows:

	2020	2019
	€	€
Within credit period	6,718	5,643
Exceeded credit period but not impaired	102,481	28,622
	<u>109,199</u>	<u>34,265</u>

Receivables are stated after a specific provision for doubtful debts amounting to € 37,829 (2019 : € 37,829).

Related party balances - LES Debtors

LES debtors are stated after a specific provision for doubtful debts amounting to € 356,716 (2019:€ 357,823).

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

	2020	2019
	€	€
Balance at 1 January	357,823	359,121
Decrease in provision for LES debtors	(1,107)	(1,298)
Balance at 31 December	<u>356,716</u>	<u>357,823</u>

14. Cash and equivalents

	2020	2019
	€	€
Bank Balances	1,330,411	1,003,018
Cash in Hand	40	620
Cash at bank and in hand	<u>1,330,451</u>	<u>1,003,638</u>
Cash and cash equivalents	<u><u>1,330,451</u></u>	<u><u>1,003,638</u></u>

15. Payables

	2020	2019
	€	€
Payables	82,491	61,253
Other payables	5,125	5,121
Accruals	56,699	91,777
Financial liabilities	<u>144,315</u>	<u>158,151</u>
Grants not yet utilised	13,675	22,403
	<u><u>157,990</u></u>	<u><u>180,554</u></u>

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

16. Borrowings

	2020	2019
	€	€
Non-current		
Third party borrowings	<u>15,605</u>	<u>16,551</u>
Current		
Third party borrowings	<u>11,343</u>	<u>11,343</u>
Third Party Borrowings		
Repayable between one and two years	<u>26,948</u>	<u>27,894</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, interest free and are repayable within 2 years.

17. Capital commitments

	2020	2019
	€	€
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	906,615	284,000
These could be analysed as follows:		
<i>(i) Approved but not yet contracted for:</i>		
Urban Improvements	38,775	25,000
Construction	865,840	224,000
Motor Vehicle	-	15,000
Office furniture & fittings	2,000	3,000
Office equipment	-	17,000
	<u>906,615</u>	<u>284,000</u>

18. Contingent liabilities

The Council has disputes and claims with its local suppliers amounting to € 9,368 (2019: € 9,368).

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

19. 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
Department of Lands	No control
Department of Inland 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:

	2020	2019
	€	€
Annual Financial Allocation	1,038,297	978,957

Key management compensation

Transactions with key management personnel are disclosed in note 8.

20. 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>	2020	2019
<i>Financial assets</i>	€	€
<i>Loans and Receivables</i>		
Cash and bank balances	1,330,451	1,003,638
Receivables	226,552	143,356
	<u>1,557,003</u>	<u>1,146,994</u>
<i>Financial liabilities</i>		
Trade payables and other payables	144,315	158,151
Borrowings - current	11,343	11,343
Borrowings - long term	15,605	16,551
	<u>171,263</u>	<u>186,045</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 and 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 2020, trade receivables of € 102,481 (2019 : € 28,622) 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 2020, cash and cash equivalents are held with counterparties with a credit rating of BBB and are callable on demand. Council consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Council.

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 € 1,390,930 (2019: € 968,268) 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 2020 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 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>

31 December 2019

Payables	61,253	-	-	-	61,253
Other payables	5,121	-	-	-	5,121
Accruals	91,777	-	-	-	91,777
Third party borrowings	11,343	16,551	-	-	27,894
	<u>169,494</u>	<u>16,551</u>	<u>-</u>	<u>-</u>	<u>186,045</u>

With respect to the maturity of the Council's financial liabilities as at 31 December 2020, the Council disclose that the trade and other payables are entirely repayable within one year from the end of the respective reporting period.