



Bormla Local Council

Annual Report and Financial Statements
31 December 2020

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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 1 July 2021 and signed on its behalf by:

Alison Zerafa Civelli
Mayor

Duncan Hall
Executive Secretary

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2020	2019
		€	€
Income			
Funds received from central government	3	614,167	571,502
Income raised under Local Enforcement System	5	3,282	5,467
General Income	6	4,809	301
Income from Bye Law	7	25,388	24,474
		647,646	601,744
Expenditure			
Personal emoluments	8	132,052	123,466
Operations and Maintenance	9	251,346	253,376
Administrative and other Expenditure	10	151,957	165,039
		535,355	541,881
Operating profit for the year		112,291	59,863
Investment Income	4	2	16
Profit for the year		112,293	59,879
Total comprehensive income for the year		112,293	59,879

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

Statement of Financial Position

	Notes	2020	2019
		€	€
ASSETS			
Non-current assets			
Intangible asset	11	396	763
Property, plant and equipment	12	108,379	90,370
		108,775	91,133
Current assets			
Receivables	13	164,743	123,095
Cash and cash equivalents	14	608,138	554,037
		772,881	677,132
Total Assets		881,656	768,265
Reserves			
Retained Fund		518,451	406,148
Current Liabilities			
Payables	15	363,205	362,117
		363,205	362,117
Total Reserves and Liabilities		881,656	768,265

These financial statements were approved by the Local Council on the 1 July 2021 and are signed on its behalf by:

Alison Zerafa Civelli
Mayor

Duncan Hall
Executive Secretary

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

Statement of Changes in Equity

	Retained Earnings €	Total €
Balance at 1 January 2019	346,279	346,279
Total comprehensive income for the year	59,879	59,879
Balance at 31 December 2019	406,158	406,158
Balance at 1 January 2020	406,158	406,158
Total comprehensive income for the year	112,293	112,293
Balance at 31 December 2020	518,451	518,451

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

Statement of Cash Flows

	Notes	2020	2019
		€	€
Cash flows from operating activities			
Profit for the year		112,293	59,879
Adjustments for:			
Depreciation	12	18,452	24,798
Amortisation charge	11	366	366
Provision for bad debts		(634)	(762)
Bad debts write off		-	762
Investment income receivable		(2)	(16)
Loss on disposal		-	218
Surplus for the period before working capital movements		130,475	85,245
(Increase) in receivables		(41,014)	(81,421)
Increase in payables		1,097	122,827
Net cash generated from operating activities		90,558	126,651
Cash flows used in investing activities			
Investment income receivable		2	16
Payment to acquire property, plant and equipment	12	(36,459)	(66,266)
Payment to acquire intangible asset	11	-	-
Proceeds from disposal of property, plant and equipment	12	-	-
Grants received		-	149,951
Net cash (used in)/from investing activities		(36,457)	83,701
Movement in cash and cash equivalents		54,101	210,352
Cash and cash equivalents at the beginning of the year		554,037	338,450
		608,138	548,802
Bank Balance Overdrawn		-	5,235
Cash and cash equivalents at the end of the year	14	608,138	554,037

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

1. Statutory Information

Bormla Local Council is the local authority of Bormla setup in accordance with the Local Councils Act. The Office of the Local Council is situated at 2A, The Rest, St. Margerita Square, Bormla.

2. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Basis of preparation

The financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap 363). The financial statements are prepared under the historical cost convention, in accordance to the requirements of International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

b. Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

However, in the opinion of the Council members, there are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

2. Accounting policies - continued**c. Application of new and revised international Financial Reporting Standards (IFRSs)**

The accounting policies adopted are consistent with those of the previous financial period except as follows:

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

- Amendments to IFRS 16 Leases Covid 19 – Related Rent Concessions (effective for financial years beginning on or after 1 January 2020)
- Amendments to IAS 1 and IAS 8 – Definition of Material (effective for financial years beginning on or after 1 January 2020)
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform (effective for financial years beginning on or after 1 January 2020)
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for financial years beginning on or after 1 January 2020)
- Amendments to IFRS 3 Business Combinations (effective for financial years beginning on or after 1 January 2020)

The adoption of new and amended standards did not have a material impact on the Local Council's financial statements.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Local Council

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

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

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

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

2. Accounting policies - continued**d. Standards, amendments and interpretations to published standards that are not yet endorsed by the EU**

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

e. Revenue recognition

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

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

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

f. Functional and presentation currency

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

g. Local Enforcement System

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

h. 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.

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

Property, plant and equipment is stated at cost less accumulated depreciation. 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%-100%
• Construction works	10%-100%
• Urban Improvements (Street Furniture)	10%-100%
• Special Projects	10%-100%
• Office Equipment	20%-100%
• Motor Vehicles	20%-46%
• Plant and Machinery	20%-100%
• Plants	100%
• Computer Equipment	25%-100%
• 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 comparing proceeds with the carrying amount, and are taken into account in determining operating profit.

An asset's carrying amount is written down immediately to its recoverable amount if it's carrying amount is greater than its estimated recoverable amount (Accounting policy (k)).

j. Impairment of assets

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

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

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

Amounts receivable are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

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

l. 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.

m. 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.

n. Payables

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

o. 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.

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

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

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

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

Measurement and recognition of leases

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

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

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

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

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

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

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

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

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

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

q. 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.

r. 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.

s. Financial instruments

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

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

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

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

2. Accounting policies - continued**t. Financial assets**

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

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

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

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

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

u. Financial liabilities

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

All interest-related charges are included within finance costs.

3. Funds Received from Central Government

	2020	2019
	€	€
In terms of Section 55 of the Local Councils Act (Cap 363)	526,733	497,818
Supplementary Government Income	641	0
Other Government Income	86,793	73,684
	614,167	571,502

4. Investment income

	2020	2019
	€	€
Bank interest receivable	2	16

5. Local Enforcement System

	2020	2019
	€	€
Administrative charges to Regional Committees	3,282	3,899
Contraventions	-	1,568
	3,282	5,467

6. General Income

	2020	2019
	€	€
Contributions and donations	4,809	301
	4,809	301

7. Income from bye law

	2020	2019
	€	€
Income from permits	22,086	20,213
Income from advertising on street furniture	3,302	4,261
	<u>25,388</u>	<u>24,474</u>

8. Personal Emoluments

	2020	2019
	€	€
Mayor's allowance	15,655	13,689
Executive Secretary and allowances	34,026	32,561
Employees' salaries	57,323	56,862
Social Security Contributions	8,038	7,657
Councillors' remuneration	17,010	12,697
	<u>132,052</u>	<u>123,466</u>

Average number of people employed

Employees	6	5
Mayor and Councillors	7	7

9. Operations and Maintenance

	2020	2019
	€	€
Repairs and Upkeep:		
Road and street pavements (Patching works)	333	1,521
Road markings	0	792
Signs	1,046	503
Repair plant and equipment	41	120
Office Furniture & Fittings	716	261
Sundry repairs	12,349	11,246
	<u>14,485</u>	<u>14,443</u>

9. Operations and Maintenance - continued

	2020	2019
	€	€
Contractual Services:		
Refuse collection (including bins on wheels)	108,069	101,237
Waste disposal	30,019	39,172
Bulky refuse collection (including open skips)	34,541	32,862
Cleaning Services	-	2,391
Road and street cleaning (mechanical and manual)	37,080	27,884
Cleaning and Maintenance of Public Conveniences	713	932
Cleaning and Maintenance of Parks and Gardens	19,946	26,057
Street Lighting	6,493	8,398
	<u>236,861</u>	<u>238,933</u>
	<u>251,346</u>	<u>253,376</u>

10. Administrative and other expenditure

	2020	2019
	€	€
Utilities	11,585	8,620
Other repairs and upkeeps	276	1,798
Rent	2,272	2,057
Library	100	-
National & International membership	86	1,560
Office services	5,025	4,825
Transport	5,531	6,204
Information services	728	1,523
Insurance	4,970	2,869
Other contractual services	4,873	3,245
Professional services	34,183	39,828
Community and hospitality	19,549	15,515
Social events	0	261
Cultural events	23,728	41,597
Uniforms	3,174	1,934
Bank interest and charges	426	698
Depreciation	18,452	24,798
Amortisation charge	366	366
Loss on disposal	-	218
Provision for bad debts	(634)	(762)
Bad debts written off	-	762
Staff training	-	326
LES related expenses	125	292
Sundry minor expenses	15,718	5,631
Cleaning materials	1,424	874
	<u>151,957</u>	<u>165,039</u>

11. Intangible asset

	Computer Software €
At 1 January 2019	
Cost	1,975
Accumulated amortisation	(846)
Net book amount	<u>1,129</u>
Movements for the year ended 31 December 2019	
Opening net book amount	1,129
Additions	-
Disposal	510
Amortisation released on disposal	(510)
Amortisation charge	(366)
Closing net book amount	<u>763</u>
At 31 December 2019	
Cost	1,465
Accumulated amortisation	(702)
Net book amount	<u>763</u>
Movements for the year ended 31 December 2020	
Opening net book amount	763
Additions	-
Amortisation charge	(366)
Closing net book amount	<u>396</u>
At 31 December 2020	
Cost	1,465
Accumulated amortisation	(1,069)
Net book amount	<u>396</u>

Amortisation of €366 (2019: €366) is included in administrative expenses.

12a. Property, plant and equipment

Asset	Trees	Office Furn. & Fittings	Comp. & Office Equip.	Urban Improv.	Plant & Machinery	Motor Vehicles	New Street Signs	Construction Works	Assets not yet Capitalised €	Total €
	€	€	€	€	€	€	€	€	€	€
Cost										
As at 1 January 2020	13,609	55,785	28,144	142,405	13,302	98,260	21,693	655,825	7,038	1,036,061
Additions/Capitalizations	-	21,549	3,145	8,065	1,988	-	1,712	-	-	36,459
Transfers	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
As at 31 December 2020	13,609	77,334	31,289	150,470	15,290	98,260	23,405	655,825	7,038	1,072,520
Grants and other disbursements										
As at 1 January 2020	-	-	2,300	76,200	7,500	69,000	-	100,432	-	255,432
Additions	-	-	-	-	-	-	-	-	-	-
As at 31 December 2020	-	-	2,300	76,200	7,500	69,000	-	100,432	-	255,432
Accumulated Depreciation										
As at 1 January 2020	-	38,461	17,164	59,585	2,349	5,793	21,693	545,214	-	690,259
Charge for the year	-	3,441	3,602	3,095	455	1,422	1,712	4,725	-	18,452
Released on disposal	-	-	-	-	-	-	-	-	-	-
As at 31 December 2020	-	41,902	20,766	62,680	2,804	7,215	23,405	549,939	-	708,711
Net Book Value										
As at 31 December 2020	13,609	35,432	8,223	11,590	4,986	22,045	-	5,454	7,038	108,379

12b. Property, plant and equipment

Asset	Trees	Office Furn. & Fittings	Comp. & Office Equip.	Urban Improv.	Plant & Machinery	Motor Vehicles	New Street Signs	Construction Works	Assets under construction	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
As at 1 January 2019	13,609	61,211	39,156	220,750	13,339	92,526	21,693	794,348	6,933	1,263,565
Additions/Capitalizations	-	3,920	4,386	51,632	373	5,850	-	-	105	66,266
Transfers	-	-	-	-	-	-	-	-	-	-
Disposals	-	(9,346)	(15,398)	(129,977)	(410)	(116)	-	(138,523)	-	(293,770)
As at 31 December 2019	13,609	55,785	28,144	142,405	13,302	98,260	21,693	655,825	7,038	1,036,061
Grants and other disbursements										
As at 1 January 2019	-	-	2,300	30,000	7,500	69,000	-	100,432	-	209,232
Additions	-	-	-	46,200	-	-	-	-	-	46,200
As at 31 December 2019	-	-	2,300	76,200	7,500	69,000	-	100,432	-	255,432
Accumulated Depreciation										
As at 1 January 2019	-	45,567	29,236	183,269	2,493	4,682	21,693	672,072	-	959,012
Charge for the year	-	2,240	3,326	6,164	266	1,227	-	11,575	-	24,798
Released on disposal	-	(9,346)	(15,398)	(129,848)	(410)	(116)	-	(138,433)	-	(293,551)
As at 31 December 2019	-	38,461	17,164	59,585	2,349	5,793	21,693	545,214	-	690,259
Net Book Value										
As at 31 December 2019	13,609	17,324	8,680	6,620	3,453	23,467	-	10,179	7,038	90,370

13. Receivables

	2020	2019
	€	€
Receivables	53,816	49,270
LES Debtors	322,483	323,117
Provision for doubtful LES debts	(322,483)	(323,117)
Accrued income	105,720	69,903
Financial assets	159,536	119,173
Prepayments	5,207	3,922
	164,743	123,095

The total financial assets for the year amounted to €159,536 (2019: €119,173).

The average credit period on sales of services is 60 days. Receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the company has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

	2020	2019
	€	€
Age of receivables that are past due but not impaired		
60-90 days	1,067	12,144
91-120 days	370	8,689
More than 120 days	52,379	28,437
Total	53,816	49,270

In determining the recoverability of a receivable, the Local Council considers any change in the credit quality of the receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated. The impairment loss on receivables is included in administrative expenses in the statement of comprehensive income.

Receivables are stated net of a provision for doubtful debts of €0 (2019: €0).

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:

	2020	2019
	€	€
Petty Cash	195	59
Bank balances:		
Current	24,076	32,730
Savings	583,386	520,491
Cash in hand	481	757
	<hr/>	<hr/>
Cash at bank	608,138	554,037
Bank Current Account	-	(5,235)
	<hr/> 608,138 <hr/>	<hr/> 548,802 <hr/>

15. Payables

	2020	2019
	€	€
Payables	40,703	82,648
Other payables - Peppi Del Ceppo Project	158,750	158,751
Accruals	110,145	54,081
Deferred Income	44,822	52,640
Other creditors	8,785	8,762
Bank Balance overdrawn	-	5,235
	<hr/> 363,205 <hr/>	<hr/> 362,117 <hr/>

The total financial liabilities for the year amounted to €363,205 (2019: €362,117)

16. Contingent liabilities

There were no Contingent Liabilities as at 31 December 2020.

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 3 and 8 to these financial statements. The following were the related parties:

Name of Entity	Nature of relationship
Department of Local Councils	Significant Control
Gozo Regional Committee	No Control
Central Regional Committee	No Control
North Regional Committee	Joint Control
South Regional Committee	No Control
South Eastern Regional Committee	No 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

17. Related party transactions – continued

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

	2020 €	2019 €
(a) Funds received from Local Government	526,733	497,818

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:

	2020 €	2019 €
Classes of financial assets – carrying amounts		
Trade and other receivables	159,536	119,173
Cash and cash equivalents	608,138	554,037
	767,674	673,210

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 €608,138. 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 €404,469 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

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

At 31 December 2020

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	40,703	-	-
Other payables – Peppi Del Ceppo Project	158,750	-	-
Accruals	110,145	-	-
Other Creditors	8,785	-	-

18. Financial risk management – continued

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

At 31 December 2019

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	82,648	-	-
Other payables – Peppi Del Ceppo Project	158,751	-	-
Accruals	54,081	-	-
Other Creditors	8,762	-	-
Bank Balance Overdrawn	5,235	-	-

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 is to optimise the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense.

19. Operating Lease

The Local Council has committed to the payment in advance for the batteries to operate the electric motor vehicles. The Local Council has shifted the risks of the batteries to the lessor, therefore the expenditure is allocated to the profit and loss account over the period of the lease.

20. Summary of financial assets and liabilities

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

	2020 €	2019 €
Current assets		
Loans and receivables:		
Trade and other receivables	159,536	119,173
Cash and cash equivalents	608,138	554,037
	<u>767,674</u>	<u>673,210</u>
Current liabilities		
Financial liabilities measured at amortised costs:		
Payables	40,703	82,648
Other payables	167,535	167,513
Accruals	110,145	54,081
Bank Balance Overdrawn	-	5,235
	<u>363,205</u>	<u>309,477</u>

21. Fair values estimation

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

22. Capital commitments**Capital expenditure**

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

	2020 €	2019 €
Contracted but not provided for	-	-
Authorised but not contracted	387,500	387,500
	<u>387,500</u>	<u>387,500</u>