

KALKARA LOCAL COUNCIL

**Annual Report and
Financial Statements**

For the year ended 31 December 2020

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ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2020

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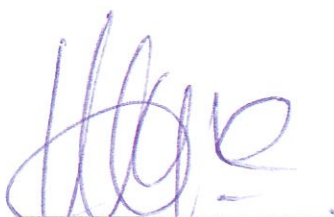
Financial Statements for the year ended 31 December 2020

Statement of Council Members' and Executive Secretary's Responsibilities

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Council's 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 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 Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Government (Financial) Regulations, and the Local Government (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 Government Act, Local Government (Financial) Regulations, and the Local Government (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Council and signed on its behalf on the 17 February 2021 by:



Wayne Aquilina
Mayor



Elaine Caruana
Executive Secretary

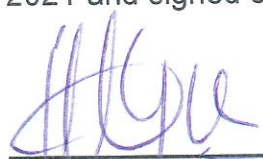
STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

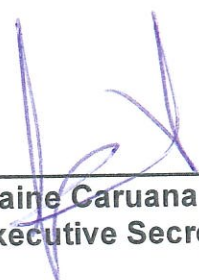
	Notes	2020 €	2019 €
Assets			
Non-current assets			
Property, plant and equipment	3	21,641	20,791
Investment property	4	-	9,251
		<u>21,641</u>	<u>30,042</u>
Current Assets			
Receivables	5	34,253	19,366
Cash at bank and in hand	6	24,876	56,156
		<u>59,129</u>	<u>75,522</u>
Total Assets		<u><u>80,770</u></u>	<u><u>105,564</u></u>
Reserves and liabilities			
Reserves			
Accumulated losses		(127,688)	(140,387)
Current liabilities			
Trade and other payables	7	208,458	245,951
Total reserves and liabilities		<u><u>80,770</u></u>	<u><u>105,564</u></u>

The notes on pages 8 to 25 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on 17 February 2021 and signed on its behalf by:



Wayne Aquilina
Mayor



Elaine Caruana
Executive Secretary

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 €	2019 €
Income			
Funds received from central government	8	326,836	321,160
Funds raised under Local Enforcement System	9	2,049	1,717
General income	10	24,026	28,109
		<u>352,911</u>	<u>350,986</u>
Expenditure			
Personal emoluments	11	(131,124)	(114,160)
Operations and maintenance	12	(127,370)	(160,425)
Administration and other expenditure	13	(61,189)	(66,690)
		<u>(319,683)</u>	<u>(341,275)</u>
Surplus for the year		<u>33,228</u>	<u>9,711</u>
Depreciation	14	(20,529)	(30,259)
Total Comprehensive Surplus/ (deficit)		<u><u>12,699</u></u>	<u><u>(20,548)</u></u>

The notes on pages 8 to 25 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Accumulated Losses €
Balance as at 31 December 2018	<u>(119,839)</u>
Total comprehensive deficit for the year ended 31 December 2019	(20,548)
Balance as at 31 December 2019	<u>(140,387)</u>
Total comprehensive surplus for the year ended 31 December 2020	12,699
Balance as at 31 December 2020	<u>(127,688)</u>

The notes on pages 8 to 25 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	2020 €	2019 €
Cash Flows from Operating Activities			
Profit/ (loss) for the year		12,699	(20,548)
Adjustments for:			
Depreciation of property plant and equipment		11,278	21,007
Deprecation of immovable property		9,251	9,252
Finance costs/ (income)		(728)	925
Operating profit before working capital changes		<u>32,500</u>	<u>10,636</u>
(Increase) in receivables		(14,887)	(17,042)
(Decrease)/ increase in payables		(28,265)	74,186
Net cash used in operating activities		<u>(10,652)</u>	<u>67,780</u>
Cash flows from Investing Activities			
Purchase of property, plant and equipment		(12,128)	(2,733)
Net Cash used in Investing Activities		<u>(12,128)</u>	<u>(2,733)</u>
Cash flow from financing activities			
Finance obligation payment		(8,500)	(10,200)
Net Cash used in Investing Activities		<u>(8,500)</u>	<u>(10,200)</u>
Net movement in Cash and Cash Equivalents		(31,280)	54,847
Cash and cash equivalents at the beginning of year	6	56,156	1,309
Cash and cash equivalents at end of year	6	<u>24,876</u>	<u>56,156</u>

The notes on pages 8 to 25 are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. General Information

Kalkara Local Council is the local authority of Kalkara setup in accordance with the Local Councils Act. The office of the Local Council is situated at 1, Binja tas-Salvatur, Triq Luigi Pisani, Il-Kalkara.

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) Accounting convention

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 Government Act (Cap 363).

The financial statements are prepared under the historical cost convention as modified to include fair values stated in the accounting policies below. These Financial Statements are prepared in accordance to the requirements of International Financial Reporting Standards as adopted by the EU and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Government (Financial) Procedures 1996.

(b) Standards, amendments and interpretations to existing standards

The new and revised standards that became effective for annual periods beginning on or after 1 January 2020 made several minor amendments to a number of IFRSs. None of the changes to IFRSs and interpretations has had, or is expected to have, a material impact on the council's financial statements.

New and amended standards adopted by the Council

Information on new standards, amendments and interpretations that are relevant to the Council's financial statements is provided below. Certain other new standards and interpretations not listed below have been issued but are not relevant and therefore are not expected to have any impact on the Council's financial statements.

The Council started to adopt the new accounting pronouncements which have become effective this year, and are as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

(b) Standards, amendments and interpretations to existing standards – continued

Effective date of IBOR reform Phase 1 amendments

On 26 September 2019, the IASB issued 'Interest Rate Benchmark Reform (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.

Effective date of new materiality definition

On 31 October 2018, the IASB issued 'Definition of Material (Amendments to IAS 1 and IAS 8)' to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective annual reporting periods beginning on or after 1 January 2020.

Effective date of updated references to the Conceptual Framework

Together with the revised 'Conceptual Framework' published in March 2018, the IASB also issued 'Amendments to References to the Conceptual Framework in IFRS Standards'. The amendments are effective for annual periods beginning on or after 1 January 2020.

Effective date of IFRS 3 amendments

On 22 October 2018, the IASB issued 'Definition of a Business (Amendments to IFRS 3)' aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

New standards and amendments not yet effective and not yet adopted by the Local Council

At the date of authorisation of these financial statements, several new, but not effective Standards and amendments to existing standards, and Interpretations have been published by the IASB. None of these standards or amendments to existing standards have been adopted early by the Local Council.

The Councillors and Executive Secretary anticipates that all relevant pronouncements will be adopted for the first beginning on or after the effective date of pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Local Council financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

(c) Revenue recognition

Revenue is recognised when the amount of revenue and the associated costs can be measured reliably. Interest income is recognised in the statement of comprehensive income as it accrues.

(d) Local Enforcement System

During 2020, the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is chargeable to the LESA and various Regional Committees for contraventions paid at the Council.

(e) Property, Plant and Equipment

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

	Years
Buildings	100
Office Furniture and Fittings	14
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	5
Plant and Machinery	4
Computer Equipment	4
Plants	replacement basis
Litter Bins	replacement basis
Playing Field Equipment & Street lights	replacement basis
New Street Signs & Street Mirrors	replacement basis

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 financial reporting date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Local Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

(f) Leased assets

For any new contracts entered, the Local 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 for a period of time in exchange for consideration'.

At lease commencement date, the Local 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.

The Local 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 Local Council also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Local 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.

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.

On the statement of financial position, right-of-use assets have been under investment property and lease liabilities have been included in trade and other payables.

(g) Government Grants

In 2018 the Local Council has changed the accounting of Government grants, from the Income Approach to the Capital Approach as defined in IAS 20 'Government Grants'. With the Capital Approach grants are deducted from Capital assets.

(h) Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. 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 carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

(i) Amounts Receivable

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amounts of the asset in the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

(j) 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 Euro, which is the Council's functional and presentation currency.

(k) Surplus and deficits

Only surpluses that were realised at the date of the Statement of Financial Position are recognised in these Financial Statements. All foreseeable liabilities and potential deficits 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.

(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 Statement of Cash Flows, cash and cash equivalents comprise cash in hand and balances held with banks.

(m) Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24.

(n) Payables

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

Amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the council.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

(o) 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 counterparty 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

(o) Financial Instruments – continued

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'.

(p) Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS adopted by the EU requires council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In the opinion of the council members, 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 (revised).

KALKARA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

3. PROPERTY, PLANT AND EQUIPMENT

	Office Furniture & Fittings	Computer Equipment	Office Equipment	Plant and Machinery	New Street Signs	Urban Improv.	Construction	Total
	€	€	€	€	€	€	€	€
Cost								
At 1 Jan 2020	22,020	20,278	12,600	6,935	4,864	371,690	442,529	880,916
Additions	2,666	7,824	-	-	-	-	1,638	12,128
At 31 Dec 2020	24,686	28,102	12,600	6,935	4,864	371,690	442,529	893,044
Grants and other reimbursements								
At 1 Jan 2020 & At 31 Dec 2020	-	2,173	2,671	-	-	162,093	280,342	447,279
Depreciation								
At 1 Jan 2020	19,267	15,631	8,024	6,818	4,864	201,895	156,347	412,846
Charge for the year	1,723	1,280	661	117	-	1,735	5,762	21,007
At 31 Dec 2020	20,990	16,911	8,685	6,935	4,864	203,630	162,109	424,124
Net Book Value								
At 31 Dec 2020	3,696	9,018	1,244	-	-	5,967	1,716	21,641

KALKARA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

3. PROPERTY, PLANT AND EQUIPMENT – Continued

	Office Furniture & Fittings €	Computer Equipment €	Office Equipment €	Plant and Machinery €	New Street Signs €	Urban Improv. €	Construction €	Total €
Cost								
At 1 Jan 2019	22,020	17,545	12,600	6,935	4,864	371,690	442,529	878,183
Additions	-	2,733	-	-	-	-	-	2,733
At 31 Dec 2019	22,020	20,278	12,600	6,935	4,864	371,690	442,529	880,916
Grants and other reimbursements								
At 1 Jan 2019 & At 31 Dec 2019	-	2,173	2,671	-	-	162,093	280,342	447,279
Depreciation								
At 1 Jan 2019	17,616	15,054	7,363	6,701	4,864	200,113	140,128	391,839
Charge for the year	1,651	577	661	117	-	1,782	16,219	21,007
At 31 Dec 2019	19,267	15,631	8,024	6,818	4,864	201,895	156,347	412,846
Net Book Value								
At 31 Dec 2019	2,753	2,474	1,905	117	-	7,702	5,840	20,791

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

4. Investment property	2020	2019
	€	€
Right of use asset		
Cost	9,251	18,503
Depreciation	(9,251)	(9,252)
Net Book value	-	9,251
5 Receivables	2020	2019
	€	€
Financial		
Accounts receivable	28,942	18,217
Accrued income	4,392	228
	33,334	18,445
Non-Financial		
Prepayments	919	921
	34,253	19,366
	2020	2019
	€	€
Receivables		
Within the current period	34,253	19,366
Amounts against which a provision was made	-	-
	19,366	19,366
<u>Credit period analysis</u>		
Impaired and provided for	62,688	82,777
Provision for bad debts	(62,688)	(82,777)
	€ -	€ -

The carrying value of short-term receivables is considered a reasonable approximation of fair value.

In determining the recoverability of receivables, the Council considers any change in the credit quality of each receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the debtor base being unrelated.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

6 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with the bank. Cash at bank and in hand included in the statement of cash flow comprise the following amounts in the Local Council statement of financial position:

	2020	2019
	€	€
Ordinary funds	24,866	56,027
Cash in hand	10	129
	<u>24,876</u>	<u>56,156</u>

7 Payables

	2020	2019
	€	€
Accounts payable	185,615	223,345
Accruals	22,843	13,378
Finance obligation under lease	-	9,228
	<u>208,458</u>	<u>245,951</u>

8 Funds received from central government

	2020	2019
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	286,144	269,494
Supplementary government income	23,100	10,755
Income from green urban project	13,407	-
Other government income	4,185	1,050
	<u>326,836</u>	<u>281,299</u>

9 Income raised from Local Enforcement System

	2020	2019
	€	€
LES Administration fees	2,049	1,717
	<u>2,049</u>	<u>1,717</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

10 General income	2020	2019
	€	€
Income from permits	6,771	9,595
Income from organic waste	16,548	17,771
Other income	707	743
	<u>24,026</u>	<u>28,109</u>
11 Personal emoluments	2020	2019
	€	€
Personal emoluments include:		
Mayor's allowance	10,403	8,911
Mayor and councillors' allowance	13,000	9,300
Executive secretary salary and allowances	32,403	28,905
Employees' salaries	64,738	52,759
Social security contributions	8,109	6,658
Scheme workers overtime	2,471	1,420
Total	<u>131,124</u>	<u>114,160</u>
12 Operations and maintenance	2020	2019
Operations and maintenance includes:		
Repairs and Upkeep:	€	€
Road patching	-	12,166
Street signs	6,383	3,681
Other repairs and upkeep	4,184	7,310
Total	<u>10,567</u>	<u>19,756</u>
Contractual services:		
Refuse and organic waste collection	44,340	50,232
Bulky refuse collection	5,672	6,678
Bins	3,676	1,791
Road and street cleaning (mechanical and manual)	11,922	19,507
Waste disposal	23,466	28,566
Cleaning and maintenance of public conveniences	485	1,940
Cleaning and maintenance of parks and gardens	4,112	6,967
Cleaning of council premises	1,655	-
Green urban project expenses	13,408	16,857
Street lighting	8,067	8,131
	<u>116,803</u>	<u>140,669</u>
Total operations and maintenance expenses	<u>127,370</u>	<u>160,425</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

13 Administration and other expenditure	2020	2019
	€	€
Utilities	9,261	12,449
Materials and supplies	9,964	9,985
Office services	6,509	5,992
Rent	1,562	1,562
Memberships	86	880
Transport	841	1,075
Information services	1,211	3,836
Professional services	4,249	5,684
Accountancy fees	11,505	7,110
Data protection officer	5,310	3,983
Covid-19 expenses	534	-
IT services	2,565	2,786
Training costs	-	2,800
Insurance	2,323	1,530
Community and hospitality	3,806	4,933
Local Enforcement Expenses	182	1,110
Bank charges	124	50
Bad debt write off	1,885	-
Finance costs on right of use asset	(728)	925
	<u>61,189</u>	<u>66,690</u>

14 Depreciation and impairments provisions	2020	2019
	€	€
Depreciation on property plant and equipment	11,278	21,007
Depreciation on right of use asset	9,251	9,252
	<u>20,529</u>	<u>30,259</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

15 Related parties disclosures

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

Name of entity	Nature of relationship
Department of Local Government	Significant control
Waste Serv Malta	No control
Regional Committees	No control
LESA	No control
Malta Environment and Planning Authority	No control
ARMS Limited	No control
Assocjazzjoni Kunsill Lokali	No control
Office of the Attorney General	No control
Police Department	No control
Department of Information	No control
Court of Justice	No control
Information and Data Protection Commissioner	No control
Malta Library & Information Association	No control
Ministry for Resources and Rural Affairs	No control
Malta Information Technology Agency	No control
Public Broadcasting Services Limited	No control

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

	2020	2019
	€	€
Significant control		
Revenue:		
Annual financial allocation	286,144	269,494

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, Councils also receive funds relating to specific projects as well as other funds for the improvement and betterment of the locality.

16 Capital commitments

As at 31 December 2020 the Local Council does not have any capital commitments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

17 Risk management objectives and policies

The Council's activities expose it 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 flow by minimising exposure to financial risks.

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

17.1 Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Council. The council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period, as summarised below:

	2020	2019
	€	€
Class of financial assets – carrying amounts		
Trade and other receivables	33,334	18,445
Cash at bank and in hand	24,876	56,156
	<u>58,210</u>	<u>74,601</u>

The Council continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Council's policy is to deal with only creditworthy counterparties.

The Council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See notes 4 and 5 for further information on impairment or financial assets that are past due.

None of the Council's financial assets is secured by collateral or other credit enhancements

The Council applies IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivable as these items do not have a significant financial component.

Included in the Council's receivables balance are the following debtors which are past due at the end of the reporting period net of an allowance for doubtful debts and excluding related party receivables. The remaining amounts are still considered recoverable as these customers have not defaulted in the past. The credit period allowed by the Council to its debtors is 60 days.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

17 Risk management objectives and policies – continued**17.1 Credit risk (continued)**

	2019 €	2018 €
30 to 60 days	148	4,057
61 to 90 days	371	3,810
91 to 120 days	1,281	3,714
Over 120 days	27,142	6,636
	€ 28,942	€ 18,217

17.2 Liquidity risk

The Council's exposure to liquidity risk arises from its obligations to meet its financial liabilities which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funds to meet the council's obligations when they become due.

The Council manage its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. The council's liquidity is deemed to be sufficient in view of an excess of financial assets.

At 31 December 2020, the Council's financial liabilities are summarised as follows:

	Current		Non – Current	
	Within 6 months €	6 to 12 months	1 to 5 years €	More than 5 years €
Payables	185,615	-	-	-
Accruals	22,843	-	-	-

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

	Current		Non – Current	
	Within 6 months €	6 to 12 months	1 to 5 years €	More than 5 years €
Payables	223,345	-	-	-
Accruals	13,378	-	-	-
Finance lease	9,228	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

17.3 Interest rate risk

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 6), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

17.4 Summary of the financial assets and liabilities by category

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

Current assets	2020	2019
	€	€
Loans and receivables:		
Trade and other receivables	33,334	18,445
Cash at bank and in hand	24,876	56,156
	<u>58,210</u>	<u>74,601</u>
	2020	2019
	€	€
Current liabilities		
Financial liabilities measured at amortised costs:		
Payables	<u>208,458</u>	<u>245,951</u>

17.5 Capital risk management

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 a service to the residents of the Local Council by maintaining an optimal capital structure to reduce cost of capital.

The Council's equity, as disclosed in the statement of financial position, constitutes its capital. The Council's capital structure is monitored by the Executive Secretary and the Council with appropriate reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Council's activities, the capital level as at the end of the reporting period is deemed adequate by the Council.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

18 Fair value estimation

At 31 December 2020 and 31 December 2019, the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

**REPORT OF THE LOCAL GOVERNMENT AUDITORS' ON THE KALKARA
LOCAL COUNCIL TO THE DIRECTOR OF AUDIT**