



Bormla Local Council

Annual Report and Financial Statements
31 December 2019

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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 3 April 2020 and signed on its behalf by:

Alison Zerafa Civelli
Mayor

Duncan Hall
Executive Secretary

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2019	2018
		€	€
Income			
Funds received from central government	3	571,502	530,083
Income raised under Local Enforcement System	5	5,467	3,812
General Income	6	301	2,550
Income from Bye Law	7	24,474	17,116
		601,744	553,561
Expenditure			
Personal emoluments	8	123,466	136,911
Operations and Maintenance	9	253,376	254,535
Administrative and other Expenditure	10	165,039	277,676
		541,881	669,122
Operating profit/(loss) for the year		59,863	(115,561)
Investment Income	4	16	7
Profit/(Loss) for the year		59,879	(115,554)
Total comprehensive income/(expenditure) for the year		59,879	(115,554)

The notes on pages 6 to 25 form an integral part of these financial statements

Statement of Financial Position

	Notes	2019	2018
		€	€
ASSETS			
Non-current assets			
Intangible asset	11	763	1,129
Property, plant and equipment	12	90,370	95,321
		91,133	96,450
Current assets			
Receivables	13	123,095	41,674
Cash and cash equivalents	14	554,037	338,450
		677,132	380,124
Total Assets		768,265	476,574
Reserves			
Retained Fund		406,148	346,269
Current Liabilities			
Payables	15	362,117	130,305
		362,117	130,305
Total Reserves and Liabilities		768,265	476,574

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Alison Zerafa Civelli
Mayor

Duncan Hall
Executive Secretary

The notes on pages 6 to 25 form an integral part of these financial statements

Statement of Changes in Equity

	Retained Earnings €	Total €
Balance at 1 January 2018	461,823	461,823
Total comprehensive expenditure for the year	(115,554)	(115,554)
Balance at 31 December 2018	346,269	346,269
Balance at 1 January 2019	346,269	346,269
Total comprehensive income for the year	59,879	59,879
Balance at 31 December 2019	406,148	406,148

The notes on pages 6 to 25 form an integral part of these financial statements

Statement of Cash Flows

	Notes	2019	2018
		€	€
Cash flows from operating activities			
Profit/(Loss) for the year		59,879	(115,554)
Adjustments for:			
Depreciation	12	24,798	178,707
Amortisation charge	11	366	336
Provision for bad debts		(762)	(126)
Bad debts write off		762	-
Investment income receivable		(16)	(7)
Loss on disposal		218	-
		85,245	63,356
Surplus for the period before working capital movements		85,245	63,356
(Increase)/Decrease in receivables		(81,421)	5,127
Increase in payables		122,827	41,307
		126,651	109,790
Net cash generated from operating activities			
Cash flows used in investing activities			
Investment income receivable		16	7
Payment to acquire property, plant and equipment	12	(66,266)	(43,773)
Payment to acquire intangible asset	11	-	(1,465)
Proceeds from disposal of property, plant and equipment	12	-	-
Grants received		149,951	-
		83,701	(45,231)
Net cash from/(used in) investing activities			
Movement in cash and cash equivalents			
		210,352	64,559
Cash and cash equivalents at the beginning of the year			
		338,450	273,891
		548,802	338,450
Bank Balance Overdrawn		5,235	-
Cash and cash equivalents at the end of the year	14	554,037	338,450

Notes to the Financial Statements For the year ended 31 December 2019

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)****IFRS 16 Leases**

IFRS 16 introduced a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 superseded the lease guidance including IAS 17 Leases and the related interpretations.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees (i.e. on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating, cash flows; whereas under the IFRS 15 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2019, the Council has non-cancellable operating lease commitments, IAS 17 does not require the recognition of any right of use asset or liability for future payments for these leases, instead, certain information is disclosed as operating lease commitments. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Council will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16.

In contrast, for finance leases where the Council is a lessee, as the Council has already recognized an asset and a related finance lease liability for the lease arrangement, and in cases where the Council is a lessor (for both operating and finance leases), the members of the Council do not anticipate that the application of IFRS 16 will have a significant impact on the amounts recognized in the Council's financial statements.

d. New and revised IFRSs in issue but not yet effective

The Council has not applied the following new and revised IFRSs that have been issued but are not yet effective:

The Annual Improvements induce amendments to IFRS 1 and IAS 28 which are not yet mandatorily effective for the Council.

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. Operating leases

Leases of assets where a significant portion of the risk and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2. Accounting policies - continued**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.

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.

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

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

	2019 €	2018 €
In terms of Section 55 of the Local Councils Act (Cap 363)	497,818	471,957
Other Government Income	73,684	56,114
Other supplementary income	-	2,012
	571,502	530,083

4. Investment income

	2019 €	2018 €
Bank interest receivable	16	7

5. Local Enforcement System

	2019 €	2018 €
Administrative charges to Regional Committees	3,899	5,054
Contraventions	1,568	(1,242)
	5,467	3,812

6. General Income

	2019 €	2018 €
Contributions and donations	301	2,550
	301	2,550

7. Income from bye law

	2019 €	2018 €
Income from permits	20,213	15,569
Income from advertising on street furniture	4,261	1,547
	<u>24,474</u>	<u>17,116</u>

8. Personal Emoluments

	2019 €	2018 €
Mayor's allowance	13,689	11,196
Executive Secretary and allowances	32,561	35,001
Employees' salaries	56,862	73,345
Social Security Contributions	7,657	9,262
Councillors' remuneration	12,697	8,107
	<u>123,466</u>	<u>136,911</u>

Average number of people employed

Employees	5	5
Mayor and Councillors	7	7

9. Operations and Maintenance

	2019 €	2018 €
Repairs and Upkeep:		
Road and street pavements (Patching works)	1,521	651
Road markings	792	1,400
Signs	503	2,074
Repair plant and equipment	120	193
Office Furniture & Fittings	261	1,793
Sundry repairs	11,246	9,184
	<u>14,443</u>	<u>15,295</u>

9. Operations and Maintenance - continued

	2019	2018
	€	€
Contractual Services:		
Refuse collection (including bins on wheels)	101,237	104,540
Waste disposal	39,172	28,991
Bulky refuse collection (including open skips)	32,862	23,860
Cleaning Services	2,391	1,168
Road and street cleaning (mechanical and manual)	27,884	31,158
Cleaning and Maintenance of Public Conveniences	932	3,043
Cleaning and Maintenance of Parks and Gardens	26,057	32,775
Street Lighting	8,398	13,705
	<u>238,933</u>	<u>239,240</u>
	<u>253,376</u>	<u>254,535</u>

10. Administrative and other expenditure

	2019	2018
	€	€
Utilities	8,620	8,832
Other repairs and upkeeps	1,798	1,584
Rent	2,057	2,139
Library	-	55
National & International membership	1,560	533
Office services	4,825	3,108
Transport	6,204	2,558
Information services	1,523	1,570
Insurance	2,869	4,504
Other contractual services	3,245	-
Professional services	39,828	19,136
Community and hospitality	15,515	19,725
Social events	261	7,276
Cultural events	41,597	21,152
Uniforms	1,934	761
Bank interest and charges	698	134
Depreciation	24,798	178,707
Amortisation charge	366	336
Loss on disposal	218	-
Provision for bad debts	(762)	(126)
Bad debts written off	762	-
Staff training	326	-
LES related expenses	292	3,289
Sundry minor expenses	5,631	1,880
Cleaning materials	874	495
Penalties	-	28
	<u>165,039</u>	<u>277,676</u>

11. Intangible asset

	Computer Software €
At 1 January 2018	
Cost	510
Accumulated amortisation	(510)
Net book amount	-
Movements for the year ended 31 December 2018	
Opening net book amount	-
Additions	1,465
Amortisation charge	(336)
Closing net book amount	1,129
At 31 December 2018	
Cost	1,975
Accumulated amortisation	(846)
Net book amount	1,129
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	763
At 31 December 2019	
Cost	1,465
Accumulated amortisation	(702)
Net book amount	763

Amortisation of €366 (2018: €336) 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 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

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 2018	13,609	53,647	32,782	213,691	12,881	72,466	21,693	794,348	4,675	1,219,792
Additions/Capitalizations	-	7,564	6,374	7,059	458	20,060	-	-	2,258	43,773
Disposals	-	-	-	-	-	-	-	-	-	-
As at 31 December 2018	13,609	61,211	39,156	220,750	13,339	92,526	21,693	794,348	6,933	1,263,565
Grants and other disbursements										
As at 1 January 2018	-	-	2,300	30,000	7,500	69,000	-	100,432	-	209,232
Additions	-	-	-	-	-	-	-	-	-	-
As at 31 December 2018	-	-	2,300	30,000	7,500	69,000	-	100,432	-	209,232
Accumulated Depreciation										
As at 1 January 2018	-	35,918	23,808	160,896	1,811	-	21,693	536,179	-	780,305
Charge for the year	-	9,649	5,428	22,373	682	4,682	-	135,893	-	178,707
Released on disposal	-	-	-	-	-	-	-	-	-	-
As at 31 December 2018	-	45,567	29,236	183,269	2,493	4,682	21,693	672,072	-	959,012
Net Book Value										
As at 31 December 2018	13,609	15,644	7,620	7,481	3,346	18,844	-	21,844	6,933	95,321

13. Receivables

	2019 €	2018 €
Receivables	49,270	24,268
Provision for doubtful debts	-	(762)
LES Debtors	323,117	324,720
Provision for doubtful LES debts	(323,117)	(324,720)
Accrued income	69,903	14,004
Financial assets	119,173	37,510
Prepayments	3,922	4,164
	123,095	41,674

The total financial assets for the year amounted to €119,173 (2018: €37,510).

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.

	2019 €	2018 €
Age of receivables that are past due but not impaired		
60-90 days	12,144	5,828
91-120 days	8,689	6,313
More than 120 days	28,437	12,127
Total	49,270	24,268

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 (2018: €762).

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:

	2019	2018
	€	€
Petty Cash	59	138
Bank balances:		
Current	32,730	3,866
Savings	520,491	333,879
Cash in hand	757	567
Cash at bank	554,037	338,450
Bank Current Account	(5,235)	-
	548,802	338,450

15. Payables

	2019	2018
	€	€
Payables	82,648	33,150
Other payables - Peppi Del Ceppo Project	158,751	55,000
Accruals	54,081	26,746
Deferred Income	52,640	3,043
Other creditors	8,762	12,366
Bank Balance overdrawn	5,235	-
	362,117	130,305

The total financial liabilities for the year amounted to €362,117 (2018: €130,305)

16. Contingent liabilities

There were no Contingent Liabilities as at 31 December 2019.

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

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

	2019 €	2018 €
(a) Funds received from Local Government	497,818	471,957

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:

	2019 €	2018 €
Classes of financial assets – carrying amounts		
Trade and other receivables	119,173	37,510
Cash and cash equivalents	554,037	338,450
	673,210	375,960

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 €554,037. 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 €315,015 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

At 31 December 2019 the council's financial liabilities have contractual maturities which are summarised below:

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	-	-

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

At 31 December 2018

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	44,949	-	-
Other payables – Peppi Del Ceppo Project	55,000	-	-
Accruals	26,746	-	-
Other Creditors	12,366	-	-

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:

	2019 €	2018 €
Current assets		
Loans and receivables:		
Trade and other receivables	119,173	37,510
Cash and cash equivalents	554,037	338,450
	<u>673,210</u>	<u>375,960</u>
Current liabilities		
Financial liabilities measured at amortised costs:		
Payables	82,648	33,150
Other payables	167,513	67,366
Accruals	54,081	26,746
Bank Balance Overdrawn	5,235	-
	<u>309,477</u>	<u>127,262</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:

	2019 €	2018 €
Contracted but not provided for	-	-
Authorised but not contracted	387,500	360,699
	<u>387,500</u>	<u>360,699</u>