

Xgħajra Local Council

Annual Report and Financial Statements
31 December 2021

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Table of Contents	Pages
Statement of Local Council Members' and Executive Secretary's Responsibilities	1
Statement of Profit or Loss	2
Statement of Financial Position	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 26
Report of the Local Government Auditor to the Auditor General	27 - 29

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 income and expenditure for the year and of the Council's retained funds at the end of the year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Council (Financial) Regulations, 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 has approved by the Council on _____ and signed on its behalf by:

Neil Attard
Mayor

Ranier Busuttil
Executive Secretary

Statement of Profit or Loss

	Notes	2021 €	2020 €
Income			
Funds received from central government	3	255,185	239,190
Income raised under Local Enforcement System	4	2,331	480
General Income	6	17,442	16,200
		<u>274,958</u>	<u>255,870</u>
Expenditure			
Personal emoluments	7	114,731	112,032
Operations and Maintenance	8	105,390	119,571
Administrative and other Expenditure	9	98,710	75,753
		<u>318,831</u>	<u>307,356</u>
Operating loss		<u>(43,873)</u>	<u>(51,486)</u>
Investment income	5	-	7
Loss for the year		<u>(43,873)</u>	<u>(51,479)</u>

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

Statement of Financial Position

	Notes	2021 €	2020 €
ASSETS			
Non-current assets			
Intangible asset	11	701	1,067
Property, plant and equipment	12	55,279	60,715
		55,980	61,782
Current assets			
Receivables	13	25,731	28,710
Cash and cash equivalents	14	135,297	151,378
		161,028	180,088
Total Assets		217,008	241,870
Reserves			
Retained Fund		2,884	46,757
Current Liabilities			
Payables	15	214,124	195,113
Total Reserves and Liabilities		217,008	241,870

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

Neil Attard
Mayor

Ranier Busuttil
Executive Secretary

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

Statement of Changes in Equity

	Retained Funds €	Total €
Balance at 1 January 2020	98,236	98,236
Loss for the year	(51,479)	(51,479)
Balance at 31 December 2020	46,757	46,757
Balance at 1 January 2021	46,757	46,757
Loss for the year	(43,873)	(43,873)
Balance at 31 December 2021	2,884	2,884

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

Statement of Cash Flows

	Notes	2021 €	2020 €
Cash flows used in operating activities			
Loss for the year		(43,873)	(51,479)
Adjustments for:			
Decrease in provision for doubtful LES debtors/other debtors		(291)	-
Depreciation		11,453	9,885
Amortisation charge		366	366
Release in grant		(1,427)	-
Investment income receivable		-	(7)
Deficit for the period before working capital movements		(33,772)	(41,235)
Movement in receivables		3,270	(11,992)
Movement in payables		36,438	4,837
Net cash generated from/(used in) operating activities		5,936	(48,390)
Cash flows used in investing activities			
Investment income received		-	7
Payment to acquire property, plant and equipment	12a	(7,383)	(51,034)
Payment to acquire intangible asset	11	-	-
Net cash used in investing activities		(7,383)	(51,027)
Cash flows generated from financing activities			
Government grants		-	25,111
Net cash generated from investing activities		-	25,111
Movement in cash and cash equivalents		(1,447)	(74,306)
Cash and cash equivalents at the beginning of the year		130,733	205,039
Cash and cash equivalents at the end of the year	14	129,286	130,733
Net debt reconciliation			

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Net debt	2021 €	2020 €
Cash and cash equivalents	135,297	151,378
Borrowings – repayable within one year (including overdraft)	(6,011)	(20,645)
Net debt	129,286	130,733

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

1. Statutory Information

Xghajra Local Council is the local authority of Xghajra setup in accordance with the Local Councils Act (1993). The Office of the Local Council is situated at Delle Grazie Battery, Xghajra.

2. Accounting policies and reporting procedures

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

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

In the opinion of the Executive Secretary, the accounting estimates and judgements made in the preparation of the Financial Statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS 1 (revised) – ‘Presentation of Financial Statements’.

2. Accounting policies and reporting procedures - continued**c. New and revised IFRSs in issue but not yet effective**

At the date of authorization of these financial statements, the Council has not applied the following new and revised IFRS Standards that have been issued but are not yet effective (and in (some cases) had not yet been adopted by the EU):

- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3 – Reference to the Conceptual Framework
- Amendments to IAS 16 – Property, Plant and Equipment (Proceeds before intended use)
- Amendments to IAS 1 – Disclosure of Accounting Policies
- Amendments to IAS 8 – Definition of Accounting Estimates
- Annual improvements to IFRS Standards

The Executive Secretary does not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Local Council in future periods except as noted below:

Amendments to IAS 1 Presentation of Financial Statements – Classifications of Liabilities as Current or Non-current

The amendments to IAS affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual period beginning on or after 1 January 2023, with early application permitted.

2. Accounting policies and reporting procedures - continued**c. New and revised IFRSs in issue but not yet effective - continued****Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use**

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, the Local Council recognises such sales proceeds and related costs in profit or loss. The Local Council measures the cost of those items in accordance with IAS 2 *Inventories*.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the Local Council's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The Local Council shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets—Onerous Contracts—Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

2. Accounting policies and reporting procedures - continued**c. New and revised IFRSs in issue but not yet effective - continued****Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets—Onerous Contracts—Cost of Fulfilling a Contract (continued)**

The amendments apply to contracts for which the Local Council has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the Local Council first applies the amendments. Comparatives are not restated. Instead, the Local Council shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Annual Improvements to IFRS Standards 2018-2020—Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

The Annual Improvements include amendments to four Standards:

IFRS 1 First-time Adoption of International Financial Reporting Standards

IFRS 9 Financial instruments

IFRS 16 Leases

IAS 41 Agriculture

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

2. Accounting policies and reporting procedures - continued**c. New and revised IFRSs in issue but not yet effective - continued****Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—
Definition of Accounting Estimates**

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error.
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

d. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Xghajra 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.

e. 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 functional currency”). The Euro is the Local Council’s functional and presentation currency.

f. Local Enforcement System

The Local Council disclosed the administrative fee on the amount of contraventions paid at the Local Council and amount distributed from LESA and Regional Committees. The LESA and Regional Committees were taken over in 2015.

2. Accounting policies and reporting procedures – continued**g. Government grants**

Government grants are not recognised until there is reasonable assurance the Local Council will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in the profit or loss on a systematic basis over the periods in which the Local Council recognises as expenses the related costs for which the grants are intended to compensate. Specifically, governments grants whose primary condition is that the Local Council should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are accounting for using the capital approach, and are deducted from the carrying amount of the relative non-current asset.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Local Council with no future related costs are recognised in profit or loss in the period in which they become receivable.

h. Intangible assets

Intangible asset with finite useful live is carried at cost less accumulated depreciation and accumulated impairment loss. Amortisation is recognised on a straight line basis over the estimated useful live which is disclosed in note 10. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the affect of any changes in estimate being accounted for on a prospective basis. Intangible asset with indefinite useful live that is acquired separately is carried at cost less accumulated impairment losses.

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% - 19%
• Construction works	10% - 63%
• Urban Improvements (Street Furniture)	10% - 63%
• Special Projects	10%
• Office Equipment	20% - 25%
• Motor Vehicles	20%
• Plant and Machinery	20% - 22%
• Computer Equipment	25%
• Litter Bins	100%
• Traffic and Road Signs	100%
• Street Lights	100%
• Playground Furniture	100%

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

Other plant and equipment are on a replacement basis.

The estimated useful lives, residual values and depreciation are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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.

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.

k. Receivables

Receivables 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, net of bank overdrafts.

m. Profits and losses

Only profits that were realized at the date of the 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 (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2. Accounting policies and reporting procedures – continued**o. Provisions**

Provisions are recognised when the Council has a present obligation (legal or constructive) as a result of a past event, it is probable that the Council will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

p. 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 company has an unconditional right to defer settlement of the liability for at least 12 months from the end of the reporting period.

q. 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.

r. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2. Accounting policies and reporting procedures - continued**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.

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 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.

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

	2021	2020
	€	€
In terms of Section 55 of the Local Councils Act (Cap 363)	246,631	233,315
Other Supplementary Government Income	6,529	4,862
Other Government Income	2,025	1,013
	<u>255,185</u>	<u>239,190</u>

4. Local Enforcement System Income

	2021	2020
	€	€
Administrative Fee	1,036	480
LESA Distribution	1,295	-
	<u>2,331</u>	<u>480</u>

5. Investment income

	2021	2020
	€	€
Bank interest receivable	-	7
	<u>-</u>	<u>7</u>

6. General Income

	2021	2020
	€	€
General income	3,717	2,603
Community service	4,000	-
Organic waste income	9,725	11,806
Twin Cig bin income	-	1,791
	<u>17,442</u>	<u>16,200</u>

7. Personal Emoluments

	2021	2020
	€	€
Mayor's allowance	12,971	13,203
Executive Secretary and allowances	33,040	32,132
Employees' salaries	51,354	46,592
Social security contributions	6,776	6,705
Councillors' remuneration	10,590	13,400
	<u>114,731</u>	<u>112,032</u>

8. Operations and Maintenance

	2021	2020
	€	€
Repairs and Upkeep:		
Public property and road markings	15,851	23,280
Signs	5,064	9,675
Other	671	153
	<u>21,586</u>	<u>33,108</u>

	2021	2020
	€	€
Contractual Services:		
Refuse collection (including bins on wheels and open skips)	29,730	30,516
Bulky Refuse Collection	7,731	5,275
Road and street cleaning (mechanical and manual)	22,294	21,427
Cleaning and Maintenance of Parks and Gardens	3,000	11,474
Cleaning and Maintenance of Council Premises	540	448
Cleaning and Maintenance of Public Conveniences	2,670	-
Street lighting	1,074	2,767
Wasteserv	16,765	14,556
	<u>83,804</u>	<u>86,463</u>
	<u>105,390</u>	<u>119,571</u>

9. Administration and other expenditure

	2021	2020
	€	€
Amortisation charge	366	366
Decrease in provision for doubtful debtors	(291)	-
Bad Debt written off	34	-
Bank charges	369	71
Community services & events	13,124	6,488
Depreciation	11,453	9,885
Hospitality costs	173	-
Information services	10	-
Insurance	2,408	2,129
Interest payable	-	230
Lease of equipment	2,010	2,099
Library	24	-
Local enforcement expenditure	40	-
Maintenance of vehicles and fuel	1,713	1,556
Materials & supplies	7,504	4,820
National & International membership	-	86
Office services	16,793	13,466
Professional services	26,752	17,028
Rent	11,665	13,474
Overseas tickets and twinning expenses	878	426
Transport	249	739
Utilities	3,436	2,890
	98,710	75,753

10. Loss for the year

Loss for the year has been arrived at after charging/(crediting)

	2021	2020
	€	€
Depreciation of property, plant and equipment (see note 12)	11,453	9,885
Amortisation of intangible asset (see note 11)	366	366
Decrease in provision for doubtful debts (see note 13)	(291)	-

11. Intangible asset

	2021
	€
As at 1 January 2020	
Cost	1,463
Accumulated amortisation	(396)
	<u>1,067</u>
Movements for year 31 December 2021	
Net book value	1,067
Amortisation charge	(366)
	<u>701</u>
As at 31 December 2021	
Cost	1,463
Accumulated amortisation	(762)
	<u>701</u>

12a. Property, plant and equipment

Asset	Plant and machinery	Office furniture and fittings	Office & computer equipment	Litter Bins	Motor Vehicles	Urban improvements	New street signs	Construction	Special Programmes	Assets under construction	Trees	Total
	€	€	€	€	€	€	€	€	€	€	€	€
Cost												
As at 1 January 2021	9,239	18,631	31,503	2,394	8,130	210,095	17,028	217,209	61,989	416,570	17,111	1,009,899
Additions	-	1,000	710	-	-	5,673	-	-	-	-	-	7,383
As at 31 December 2021	9,239	19,631	32,213	2,394	8,130	215,768	17,028	217,209	61,989	416,570	17,111	1,017,282
Grants and other reimbursements												
As at 1 January 2021	-	-	2,300	-	2,330	89,055	-	114,167	61,989	410,740	17,111	697,692
Additions	-	-	-	-	-	-	-	1,366	-	-	-	1,366
As at 31 December 2021	-	-	2,300	-	2,330	89,055	-	115,533	61,989	410,740	17,111	699,058
Accumulated Depreciation												
As at 1 January 2021	6,741	15,604	23,722	2,394	2,417	85,856	17,028	97,730	-	-	-	251,492
Charge for the year	672	626	2,332	-	1,160	5,182	-	1,481	-	-	-	11,453
As at 31 December 2021	7,413	16,230	26,054	2,394	3,577	91,038	17,028	99,211	-	-	-	262,945
Net Book Value												
As at 31 December 2021	1,826	3,401	3,859	-	2,223	35,675	-	2,465	-	5,830	-	55,279

12b. Property, plant and equipment

Asset	Plant and machinery	Office furniture and fittings	Office & computer equipment	Litter Bins	Motor Vehicles	Urban improvements	New street signs	Construction	Special Programmes	Assets under construction	Trees	Total
	€	€	€	€	€	€	€	€	€	€	€	€
Cost												
As at 1 January 2020	9,239	18,631	27,567	2,219	8,130	181,709	17,028	215,783	61,989	416,570	-	958,865
Additions	-	-	3,936	175	-	28,386	-	1,426	-	-	17,111	51,034
As at 31 December 2020	9,239	18,631	31,503	2,394	8,130	210,095	17,028	217,209	61,989	416,570	17,111	1,009,899
Grants and other reimbursements												
As at 1 January 2020	-	-	2,300	-	2,330	89,055	-	114,167	61,989	410,740	-	680,581
Additions	-	-	-	-	-	-	-	-	-	-	17,111	17,111
As at 31 December 2020	-	-	2,300	-	2,330	89,055	-	114,167	61,989	410,740	17,111	697,692
Accumulated Depreciation												
As at 1 January 2020	6,059	15,049	21,904	2,219	1,257	81,929	17,028	96,152	-	-	-	241,607
Charge for the year	672	555	1,818	175	1,160	3,927	-	1,578	-	-	-	9,885
As at 31 December 2020	6,741	15,604	23,722	2,394	2,417	85,856	17,028	97,730	-	-	-	251,492
Net Book Value												
As at 31 December 2020	2,498	3,027	5,481	-	3,383	35,184	-	5,312	-	5,830	-	60,715

13. Receivables

	2021	2020
	€	€
Receivables	4,443	17,111
LES Debtors	22,006	22,297
Less: Provision for bad debts	(22,006)	(22,297)
Accrued income	7,893	2,760
	<u>12,336</u>	<u>19,871</u>
Prepayments	4,075	5,083
Other debtors	9,320	3,756
	<u>25,731</u>	<u>28,710</u>

The average credit period on sales of services is 60 days. No interest is charged on outstanding receivables. Trade 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.

	2021	2020
	€	€
Age of receivables that are past due but not impaired		
60-90 days	2,032	11,810
91-120 days	1,770	-
Total	<u>3,802</u>	<u>11,810</u>

In determining the recoverability of receivables, the company considers any change in the credit quality of the trade 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.

	2021	2020
	€	€
LES Debtors	<u>22,006</u>	<u>22,297</u>

13. Receivables - continued

	2021 €	2020 €
Movement in the allowance for doubtful debts		
Balance at beginning of year	22,297	22,297
Provision for the year	(291)	-
Balance at end of year	<u>22,006</u>	<u>22,297</u>

14. Cash and cash equivalents

	2021 €	2020 €
Cash in hand	333	333
Bank balances	134,964	151,045
	<u>135,297</u>	<u>151,378</u>

15. Payables

	2021 €	2020 €
Trade payables	76,492	62,076
Other payables	329	-
Advance payments and deferred income	94,527	89,433
Accruals	31,558	14,959
Government grant	5,207	8,000
Bank balance overdrawn	6,011	20,645
	<u>214,124</u>	<u>195,113</u>

The total financial liabilities for the year amounted to €214,124 (2020: €195,113).

Trade payables and accruals principally comprise amounts outstanding for ongoing costs. The average credit period is 30 days.

16. 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, 6, 8 and 9 to these financial statements. The following were the related parties:

Name of Entity	Nature of relationship
Department of Local Government	Significant control
Gozo Regional Committee	No control
Central Regional Committee	No control
North Regional Committee	No control
South Regional Committee	No control
South Eastern Regional Committee	Joint control
LESA	No control
ARMS Ltd	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
Department of Inland Revenue	No control
Wasteserv Malta Ltd	No control
Bank of Valletta plc	No control
HSBC Bank Malta plc	No control
Central Bank of Malta	No control
Police General Headquarters	No control
Local Council Associations	No control
Commissioner of Data Protections	No control
Ministry of Finance	No control
Ministry for Justice, Culture and Local Government	No control
Department of Information	No control
ARMS Ltd	No control
Department of Inland Revenue	No control

The following transactions were carried out with related parties:

	2021	2020
	€	€
(a) Funds received from Local Government	255,185	239,190
	2021	2020
	€	€
(b) Administrative fees from Regional Committees	1,036	480

16. Related party transactions - continued**Key management compensation**

Transactions with key management personnel are disclosed in note 7.

The ultimate controlling party of the Local Council is the Central Government since the Council's main revenue is from the Government allocation received every quarter. Apart from the normal funds received from the Government, the Council also receives funds relating to specific projects as well as other funds for the improvement of the locality.

17. 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.

As at 31 December 2020, the Council's maximum exposure to credit risk which cause a financial loss to the Council due to failure to discharge an obligation by other parties arises from the carrying amounts of receivables. The Council has applied the simplified approach in IFRS 9 to measure the loss allowance. The Council determines the expected credit loss by estimating the credit loss experience based on the past due status of the debtor adjusted to reflect the current condition and estimates of future economic conditions.

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:

	2021	2020
	€	€
Classes of financial assets – carrying amounts		
Trade and other receivables	12,336	19,871
Cash and cash equivalents	135,297	151,378
	<u>147,633</u>	<u>171,249</u>

17. 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 €135,297. This should ensure an ongoing working capital of the Council for the next 12 months.

At 31 December 2021 the council's financial liabilities have contractual maturities which are summarised below:

At 31 December 2021

	Current Within 1 year	Non-current 1 to 5 years	Later than 5 years
	€	€	€
Payables	76,821	-	-
Advance payments and deferred income	94,527	-	-
Accruals	31,558	-	-
Bank balance overdrawn	6,011	-	-

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

At 31 December 2020

	Current Within 1 year	Non-current 1 to 5 years	Later than 5 years
	€	€	€
Payables	62,076	-	-
Advance payments	89,433	-	-
Accruals	14,959	-	-
Bank balance overdrawn	20,645	-	-

17. Financial risk management - continued**Foreign currency risk**

Foreign currency transaction arise when the Council buys or sells goods or services 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.

18. 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:

	2021	2020
	€	€
Current assets		
Loans and receivables:		
Trade and other receivables	12,336	19,871
Cash and cash equivalents	135,297	151,378
	<u>147,633</u>	<u>171,249</u>
Current liabilities		
Financial liabilities measured at amortised costs:		
Payables	76,492	62,076
Other payables	94,856	89,433
Accruals	31,558	14,959
Bank balance overdrawn	6,011	20,645
	<u>208,917</u>	<u>187,113</u>

19. 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.

20. Capital commitments**Capital expenditure**

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

	2021	2020
	€	€
Contracted but not provided for	-	-
Authorised but not contracted for	-	-
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Report of the Local Government Auditor to the Auditor General