



L-Insida Local Council

Annual Report and Financial Statements  
31 December 2020

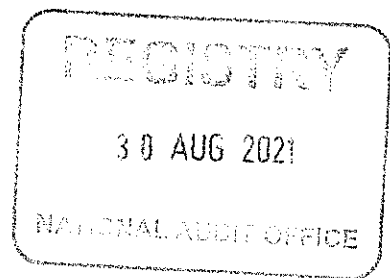


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### **Statement of Local Council Members' and Executive Secretary's Responsibilities**

The Local Councils (Financial) Regulations 1993 require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's comprehensive income for the period and of the Council's retained funds at the end of the period. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Council (Financial) Regulations, 1993 and the Local Council (Financial) Procedures, 1996.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Council (Financial) Regulations 1993, and the Local Council (Financial) Procedures 1996. The Executive Secretary is also responsible for safeguarding the assets of the Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Local Council on the 27 July 2021 and signed on its behalf by:

**FFIRMATA**

Margaret Baldacchino Cefai  
Mayor

Alan Vella  
Executive Secretary

**Statement of Profit or Loss and Other Comprehensive Income**

	Notes	2020	2019
		€	€
<b>Income</b>			
Funds received from central government	3	763,815	633,404
Income raised under Local Enforcement System	6	8,793	8,941
General Income	7	23,877	92,184
Income from Bye Law	8	44,497	53,428
		<u>840,982</u>	<u>787,957</u>
<b>Expenditure</b>			
Personal emoluments	9	175,653	166,428
Operations and Maintenance	10	449,313	391,546
Administrative and other Expenditure	11	138,163	124,403
		<u>763,129</u>	<u>682,377</u>
<b>Operating surplus for the year</b>		<b>77,853</b>	<b>105,580</b>
Finance Cost	4	(4,515)	(3,284)
Interest Income	5	9	26
<b>Surplus for the year</b>		<b><u>73,347</u></b>	<b><u>102,322</u></b>

The notes on pages 6 to 29 form an integral part of these financial statements

**Statement of Financial Position**

	Notes	2020	2019
		€	€
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible asset	12	2,468	3,506
Property, plant and equipment	13	430,964	457,725
Right of use asset	24	52,624	55,719
		<b>486,056</b>	<b>516,950</b>
<b>Current assets</b>			
Receivables	14	186,671	138,550
Cash and cash equivalents	15	379,621	333,515
		<b>566,292</b>	<b>472,065</b>
<b>Total Assets</b>		<b>1,052,348</b>	<b>989,015</b>
<b>Reserves</b>			
Retained Fund		<b>759,390</b>	<b>686,043</b>
<b>Non-current Liabilities</b>			
Long-term borrowings	16	34,924	56,775
Deferred Income	17	31,170	20,460
Payables	18	50,143	52,422
		<b>116,237</b>	<b>129,657</b>
<b>Current Liabilities</b>			
Short-term borrowings	16	21,771	20,949
Payables	17	154,950	152,366
		<b>176,721</b>	<b>173,315</b>
<b>Total Liabilities</b>		<b>292,958</b>	<b>302,972</b>
<b>Total Reserves and Liabilities</b>		<b>1,052,348</b>	<b>989,015</b>

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**FFITMATA**  
Margaret Baldacchino Cefai  
Mayor

Alan Vella  
Executive Secretary

The notes on pages 6 to 29 form an integral part of these financial statements

**Statement of Changes in Equity**

	<b>Retained Earnings €</b>
<b>Balance at 1 January 2019</b>	583,721
Total comprehensive income for the year	102,322
<b>Balance at 31 December 2019</b>	<u>686,043</u>
Balance at 1 January 2020	686,043
Total comprehensive income for the year	73,347
<b>Balance at 31 December 2020</b>	<u>759,390</u>

The notes on pages 6 to 29 form an integral part of these financial statements

**Statement of Cash Flows**

	Notes	2020	2019
		€	€
<b>Cash flows from operating activities</b>			
<b>Surplus for the year</b>		<b>73,347</b>	<b>102,322</b>
Adjustments for:			
Depreciation		65,313	61,899
Depreciation on Right of use asset		3,095	3,095
Amortisation charge		1,038	1,297
Provision for bad debts		0	(7,622)
Bad Debts written off		0	8,164
Investment income receivable		(9)	(26)
Interest payable		4,515	3,284
		<hr/>	<hr/>
<b>Surplus for the period before working capital movements</b>		<b>147,299</b>	<b>172,413</b>
(Increase) in receivables		(48,121)	(59,817)
Increase in payables		29,204	5,132
		<hr/>	<hr/>
<b>Net cash generated from operating activities</b>		<b>128,382</b>	<b>117,728</b>
		<hr/>	<hr/>
<b>Cash flows used in investing activities</b>			
Investment income receivable		9	26
Payment to acquire property, plant and equipment		(52,548)	(46,299)
Payment to acquire intangible asset		0	(531)
		<hr/>	<hr/>
<b>Net cash (used in) investing activities</b>		<b>(52,539)</b>	<b>(46,804)</b>
		<hr/>	<hr/>
<b>Cash flows used in financing activities</b>			
Grants received		0	30,352
Lease repayments		(4,193)	(4,193)
Repayment of bank borrowings		(21,029)	(20,267)
Interest paid		(4,515)	(3,284)
		<hr/>	<hr/>
<b>Net cash (used in)/generated from financing activities</b>		<b>(29,737)</b>	<b>2,608</b>
		<hr/>	<hr/>
<b>Movement in cash and cash equivalents</b>		<b>46,106</b>	<b>73,532</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>333,515</b>	<b>259,983</b>
<b>Cash and cash equivalents at the end of the year</b>	15	<b>379,621</b>	<b>333,515</b>

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

### 1. Statutory Information

L-Imsida Local Council is the local authority of I-Imsida setup in accordance with the Local Councils Act. The Office of the Local Council is situated at Civic Centre, Pjazza Menqa, I-Imsida.

### 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

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, as modified to include fair values stated in the accounting policies below.

These financial statements are prepared in accordance with the requirements of International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

#### b. Use of estimates and judgements

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

**2.1 Significant accounting policies**

The principal accounting policies and reporting procedures used by the Council are as follows:

**e. Revenue recognition**

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

**2. Accounting policies - continued****g. Local Enforcement System**

The Msida Local Council forms part of the Central Regional Council. On 1<sup>st</sup> September 2011, all LES funds were diverted to five regions. With effect from 1<sup>st</sup> September 2011, the only income attributable to the Council is commission income based on the value of contraventions paid at Msida Local Council. In line with Memo issued from the Department for Local Government dated 30<sup>th</sup> September 2015, the LES operations started gradually being phased out from the Regional Committee towards the Local Enforcement System Agency (LESA) with effect from 1<sup>st</sup> October 2015, until December 2015.

Prior to 1<sup>st</sup> September 2011, the Msida Local Council formed part of the Central Joint Committee. The amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the Joint Committee after deducting the related expenses, which is accounted for on a cash basis, and the administrative charges to Regional Committees.

**h. Intangible assets**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

*Computer Software*

Computer software is valued at cost less accumulated amortisation and impairment losses to date. Amortisation to write off the cost is calculated on a monthly basis using the straight-line method. Due to the change in accounting policy relating to the depreciation method, the estimated useful life ranges between one to four years.

**i. Impairment of assets***Impairment of Financial Assets*

The Local Council assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Council applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

*Impairment of Non-Financial Assets*

Assets are tested 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 of disposal and value in use. Non-financial assets are reviewed for possible reversal of the impairment at the end of each reporting period.

**2. Accounting policies - continued****j. 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. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each statement of financial position 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 recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit or Loss and Other Comprehensive Income during the financial year in which they are incurred.

**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.

**2. Accounting policies - continued****i. 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. Trade and other payables**

Trade and other payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material in which case, trade and other payables are measured at amortised cost using the effective interest method.

**o. Provisions**

Provisions are recognised when the Local Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

**p. Leases**

Assets held under a lease agreement are recognised as assets of the Council (representing the right to use the leased item for the lease term) at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a lease liability (representing the obligation to pay rentals). Lessees initially recognize a right-of-use asset and lease liability based on the discounted payments required under the lease, taking into account the lease term as determined under the new standard. Lease liabilities are measured with reference to an estimate of the lease term, which includes optional lease periods when an entity is reasonably certain to exercise an option to extend (or not to terminate) a lease. Lessees reassess the lease term only upon the occurrence of a significant event or a significant change in circumstances that are within the control of the lessee. Exemptions exist for short term and low value leases.

**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. The Council applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, the results of which were not considered to be material.

**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.

**v. Related parties**

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

**w. Government Grants**

Government grants relating to operating expenditure are recognized in the Statement of Comprehensive Income in the same period that the related expenditure is incurred. Government grants relating to the purchase of property, plant and equipment are accounted for using the capital approach and are thus deducted from the carrying amount of the relative non-current asset. Government grants that are related specifically to non-capital expenditures are recognised immediately in the Statement of Comprehensive Income.

**2. Accounting policies - continued****x. Critical Accounting Estimates and Judgements**

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Except for the issues highlighted in note 2.2 below, the Council is of the opinion that 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 IAS1 (revised) – ‘Presentation of Financial Statements’.

**2.2. Judgements in applying accounting policies and key sources of estimating uncertainty**

In preparing these Financial Statements, the Local Council has made judgements and estimates that affect the application of accounting policies and that can significantly affect the amounts recognised.

Judgements and estimates in relation to lessee accounting under IAS 17 became obsolete with the initial application of IFRS 16 ‘Leases’ as of 1 January 2019. Any new judgements and estimates with regards to IFRS 16 Leases that warrant additional disclosures in terms of IAS 1 as outlined in Note 24.



**3. Funds Received from Central Government**

	2020 €	2019 €
In terms of Section 55 of the Local Councils Act (Cap 363)	664,357	626,196
Other supplementary income	10,445	6,608
Other government income	89,013	600
	<u>763,815</u>	<u>633,404</u>

**4. Finance cost**

	2020 €	2019 €
Bank interest payable	2,521	3,284
Interest on right of use of asset	1,994	0
	<u>4,515</u>	<u>3,284</u>

**5. Investment income**

	2020 €	2019 €
Bank interest receivable	9	26

**6. Local Enforcement System**

	2020 €	2019 €
Administrative charges to Regional Committees	7,603	7,844
Contraventions	1,190	1,097
	<u>8,793</u>	<u>8,941</u>

**7. General Income**

	2020 €	2019 €
Advertising	0	3,138
Rental Income	20,000	20,000
Administrative Committee	262	1,906
Other income	3,615	67,140
	<u>23,877</u>	<u>92,184</u>

**8. Income from bye law**

	2020 €	2019 €
Income from permits	44,497	53,428

**9. Personal Emoluments**

	2020 €	2019 €
Mayor's allowance	15,027	13,623
Executive Secretary salary	35,899	35,033
Employees' salaries	90,927	91,629
Social Security Contributions	10,800	10,530
Councillors' allowances	23,000	15,613
	<u>175,653</u>	<u>166,428</u>

**Average number of people employed**

Employees	5	5
Mayor and Councillors	7	7

**10. Operations and Maintenance**

	2020 €	2019 €
<b>Repairs and Upkeep:</b>		
Patching works	1,986	2,597
Operating materials and supplies	3,696	5,465
Road and street pavements	571	(2,530)
Road signs and markings	17,039	12,759
Council property	1,493	3,338
Office furniture and equipment	5,071	4,699
Bins	2,993	8,163
Sundry repairs	5,005	7,355
	<u>37,854</u>	<u>41,846</u>

**10. Operations and Maintenance - continued**

	2020	2019
	€	€
<b>Contractual Services:</b>		
Refuse collection (including bins on wheels)	174,750	136,943
Waste disposal	66,262	68,507
Bulky refuse collection (including open skips)	25,335	23,829
Road and street cleaning (mechanical and manual)	42,141	36,502
Cleaning and Maintenance of Public Conveniences	5,224	7,914
Cleaning and Maintenance of Parks and Gardens	37,137	24,242
Cleaning Council Premises	10,181	16,244
LES related expenditure	270	2,697
Supervisor allowance	3,540	-
Contract Management Services	12,886	3,788
Street Lighting and security	30,799	26,610
Other Contractual service	2,934	2,424
	<u>411,459</u>	<u>349,700</u>
	<u>449,313</u>	<u>391,546</u>

**11. Administrative and other expenditure**

	2020	2019
	€	€
Water and Electricity	6,620	4,397
Telecommunications	3,303	2,791
Rent	465	116
Accountancy services	4,811	3,953
Advertising and public relations expenses	2,086	5,979
Office services	149	254
Transport	3,977	3,683
Conference and participation expenses	86	987
Documentation	56	25
Insurance	3,634	3,614
Engineering services	2,041	1,300
Other support service	3,248	3,348
Postages	59	133
Printing and stationery	6,241	7,363
Community services	31,030	18,862
Uniforms	633	406
Bank charges	128	40
Depreciation	65,313	61,899
Depreciation of right of use asset	3,095	3,095
Amortisation charge	1,038	1,297
Provision for bad debts	0	(7,622)
Bad debts written off	0	8,164
Sundry minor expenses	150	319
	<u>138,163</u>	<u>124,403</u>

## 12. Intangible asset

	Computer Software €
<b>At 1 January 2019</b>	
Cost	11,402
Accumulated amortisation	(7,896)
Net book amount	<u>3,506</u>
<b>Movements for the year ended 31 December 2019</b>	
Opening net book amount	3,556
Additions	1,247
Amortisation charge	(1,297)
Closing net book amount	<u>3,506</u>
<b>At 31 December 2019</b>	
Cost	11,402
Accumulated amortisation	(7,896)
Net book amount	<u>3,506</u>
<b>Movements for the year ended 31 December 2020</b>	
Opening net book amount	3,506
Amortisation charge	(1,038)
Closing net book amount	<u>2,468</u>
<b>At 31 December 2020</b>	
Cost	11,402
Accumulated amortisation	(8,934)
Net book amount	<u>2,468</u>

Amortisation of €1,038 (2019: €1,297) is included in administrative expenses.

**13a. Property, plant and equipment**

	Trees €	Office Furniture & Fittings €	Computer & Office Equipment €	Urban Improvements €	Plant & Machinery €	Motor Vehicles €	Street Signs, Mirrors & Lights €	Construction Works €	Building €	Assets not yet utilised €	Total €
<b>Cost</b>											
At 1st January 2020	20,417	83,821	56,890	202,345	3,198	13,860	52,200	1,958,830	472,246	14,650	2,878,457
Additions	-	2,133	5,449	-	-	-	-	40,849	-	4,117	52,548
Disposals during year	-	-	-	-	-	-	-	-	-	-	-
At 31st December 2020	20,417	85,954	62,339	202,345	3,198	13,860	52,200	1,999,679	472,246	18,767	2,931,005
<b>Grants</b>											
At 1st January 2020	6,690	28,411	2,300	34,273	-	-	-	1,265,363	-	-	1,337,037
Grants reversed	-	-	-	-	-	-	-	13,996	-	-	13,996
At 31st December 2020	6,690	28,411	2,300	34,273	-	-	-	1,279,359	-	-	1,351,033
<b>Depreciation</b>											
At 1st January 2020	-	36,383	46,690	167,243	2,906	13,860	51,284	608,535	156,794	-	1,083,695
Charge for the year	-	3,048	3,593	813	80	-	-	40,274	17,505	-	65,313
Released on Disposal	-	-	-	-	-	-	-	-	-	-	-
At 31st December 2020	-	39,431	50,283	168,056	2,986	13,860	51,284	648,809	174,299	-	1,149,008
<b>Net Book Value</b>											
At 31st December 2020	13,727	18,112	9,756	16	212	-	916	71,511	297,947	18,767	430,964

**13b. Property, plant and equipment**

	Trees €	Office Furniture & Fittings €	Computer & Office Equipment €	Urban Improvements €	Plant & Machinery €	Motor Vehicles €	Street Signs, Mirrors & Lights €	Construction Works €	Building €	Assets not yet utilised €	Total €
<b>Cost</b>											
At 1st January 2019	20,417	81,188	55,206	202,345	3,198	13,860	51,284	1,939,085	467,057	12,689	2,846,329
Additions	0	2,633	2,400	0	0	0	916	21,745	5,189	1,961	34,844
Reclassified to intangibles	0	0	(716)	0	0	0	0	0	0	0	(716)
Credit on past additions	0	0	0	0	0	0	0	(2,000)	0	0	(2,000)
At 31st December 2019	20,417	83,821	56,890	202,345	3,198	13,860	52,200	1,958,830	472,246	14,650	2,878,457
<b>Grants</b>											
At 1st January 2019	6,690	28,411	2,300	34,273	0	0	0	1,249,699	0	0	1,321,373
Additions	0	0	0	0	0	0	0	17,120	0	0	17,120
Grants reversed	0	0	0	0	0	0	0	(1,456)	0	0	(1,456)
At 31st December 2019	6,690	28,411	2,300	34,273	0	0	0	1,265,363	0	0	1,337,037
<b>Depreciation</b>											
At 1st January 2019	0	33,075	43,307	160,061	2,826	13,860	51,284	577,993	139,390	0	1,021,796
Charge for the year	0	3,308	3,383	7,182	80	0	0	30,542	17,404	0	61,899
At 31st December 2019	0	36,383	46,690	167,243	2,906	13,860	51,284	608,535	156,794	0	1,083,695
<b>Net Book Value</b>											
At 31st December 2019	13,727	19,027	7,900	829	292	0	916	84,932	315,452	14,650	457,725

**14. Receivables**

	2020 €	2019 €
Receivables	121,796	79,442
Other receivables	41,244	32,755
Deposit payments	1,044	-
Accrued income	18,569	22,874
<b>Financial assets</b>	<b>182,653</b>	<b>135,071</b>
Prepayments	4,018	3,479
	<b>186,671</b>	<b>138,550</b>

The total financial assets for the year amounted to €182,653 (2019: €135,071).

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

	2020 €	2019 €
<b>Age of receivables that are past due but not impaired</b>		
60-90 days	41,400	61,188
91-120 days	23,147	2,743
More than 120 days	57,249	15,511
Total	<b>121,796</b>	<b>79,442</b>

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.

**15. Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following amounts in the Local Council Statement of Financial Position:

	2020 €	2019 €
Petty Cash	33	260
Bank balances:		
Current	128,144	60,486
Savings	250,029	270,495
Cash in hand	1,415	2,274
Cash and Cash Equivalents	<u>379,621</u>	<u>333,515</u>

**16. Borrowings**

	2020 €	2019 €
<b>Non-Current Liabilities</b>		
Long-term Bank borrowings	<u>34,924</u>	<u>56,775</u>
<b>Current Liabilities</b>		
Bank borrowings	<u>21,771</u>	<u>20,949</u>
<b>Borrowings</b>		
Repayable between one and two years	22,615	21,762
Repayable between two and five years	12,309	35,013
	<u>34,924</u>	<u>56,775</u>

The bank loan is secured by channelling through account of all and any funds which are received by the council from the Government of Malta. The loan bears interest at MIBOR plus 1.5% per annum (3.65%) (2019: 3.65%) and is repayable by monthly instalments of €1,962.50 (2019: €1,962.50) inclusive of interest and will be cleared within 20 years from drawdown, ie 30/05/2027.



**17. Deferred Income**

	2020 €	2019 €
At Beginning of year	20,460	0
Increase in period	10,710	20,460
	<u>31,170</u>	<u>20,460</u>

**18. Payables**

	2020 €	2019 €
Payables	88,241	98,251
Other payables	9,324	5,359
Accruals	35,106	26,557
Lease liabilities (note 24)	2,279	2,199
Deferred rental income	20,000	20,000
	<u>154,950</u>	<u>152,366</u>

The total financial liabilities for the year are disclosed in note 22.

**Payables due after more than one year**

	2020 €	2019 €
Lease liabilities (note 24)	50,143	52,422
	<u>50,143</u>	<u>52,422</u>

**19. Contingent liabilities**

At 31 December 2020, the Council had a guarantee facility of €1,100 and garnishee order of €1,470.84.

**20. 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 11 to these financial statements. The following were the related parties:

<b>Name of Entity</b>	<b>Nature of relationship</b>
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

**20. Related party transactions – continued**

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

	2020 €	2019 €
<b>(a) Funds received from Local Government</b>	<b>664,357</b>	<b>626,196</b>

**Key management compensation**

The Mayor, Councillors and Executive Secretary of the Council make up the Key Management Personnel. Total remuneration paid to them amounts to € 76,425 (2019: €66,689).

**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.

**21. Financial risk management**

The Council's activities expose it to a variety of financial risks such as market risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance.

**Credit risk**

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

The Council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period and is summarised as follows:

	2020 €	2019 €
Classes of financial assets – carrying amounts		
Trade and other receivables	182,653	135,071
Cash and cash equivalents	379,621	333,515
	<b>562,274</b>	<b>468,586</b>

**21. 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 €379,621. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net current asset position of €389,571 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

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

**At 31 December 2020**

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	97,565	-	-
Borrowings	21,771	34,924	-
Accruals	35,106	-	-
Lease liabilities	2,279	9,981	40,162

**21. Financial risk management – continued**

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

**At 31 December 2019**

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	103,610	-	-
Borrowings	20,949	56,775	-
Accruals	26,557	-	-
Lease liabilities	2,199	9,629	42,793

**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.

**22. Summary of financial assets and liabilities**

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

	2020 €	2019 €
<b>Current assets</b>		
Loans and receivables:		
Trade and other receivables	182,653	135,071
Cash and cash equivalents	379,621	333,515
	<u>562,274</u>	<u>468,586</u>
<b>Current liabilities</b>		
Financial liabilities measured at amortised costs:		
Payables	97,565	103,610
Borrowings	21,771	20,949
Accruals	35,106	26,557
Lease liabilities	2,279	2,199
	<u>156,721</u>	<u>153,315</u>
<b>Non-Current liabilities</b>		
Financial liabilities measured at amortised costs:		
Long-term Borrowings	34,924	56,775
Lease liabilities	50,143	52,422
	<u>85,067</u>	<u>109,197</u>

**23. 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.

**24. Adoption of IFRS 16**

	€
<b>Right of use Asset</b>	
<b>Cost 1 January 2019</b>	
Initial application of IFRS 16	58,814
<b>Accumulated Depreciation</b>	
Charge for the year	<u>(3,095)</u>
<b>Net Book Value 31 December 2019</b>	55,719
<b>Cost 1 January 2020</b>	
Initial application of IFRS 16	58,814
<b>Accumulated Depreciation</b>	
Initial application of IFRS 16	(3,095)
Charge for the year	<u>(3,095)</u>
<b>Net Book Value 31 December 2020</b>	52,624

The below table shows the right-of-use assets and corresponding lease liabilities. All recognised right-of-use assets relate to the site at Misrah il-Menqa, L-Imsida, that is used as office premises.

	2020 €	2019 €
Right-of-use asset	52,624	55,719
Lease liabilities:	52,422	54,621
Of which are:		
Current lease liabilities	2,279	2,199
Non-current lease liabilities	50,143	52,422
Maturity Analysis		
Less than one year	2,279	2,199
One to five years	9,981	9,629
More than five years	40,162	42,793

**25. Capital commitments****Capital expenditure**

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

	2020 €	2019 €
Contracted but not provided for	-	-
Authorised but not contracted	73,050	62,395

These commitments for capital expenditure will be financed out of the reserved funds.