

Local Council Birkirkara
Annual Audit Report
for the year ended 31 December 2016

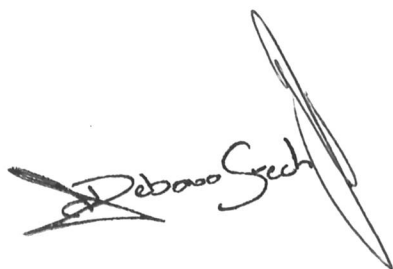


Prepared by 3a

Rebano Grech

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**Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2016**

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's Comprehensive Income for the year, and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the 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, and the Local Council (Financial) Procedures issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Council (Financial) Regulations, and the Local Councils (Financial) Procedures. 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 Council on 24 April 2017 and signed on its behalf by:



Joanne Debono Grech
Mayor



Neil Spiteri
Executive Secretary

**Statement of Comprehensive Income
for the year ended 31 December 2016**

	Notes	2016 €	2015 €
Revenue			
Funds received from Central Government	3	1,437,682	1,413,688
Income raised under Local Council Bye-Laws	4	13,527	12,396
Income raised under Local Enforcement System	5	17,913	19,901
General Income	6	268,492	224,120
		<u>1,737,614</u>	<u>1,670,105</u>
Expenditure			
Personal Emoluments	7	(240,859)	(210,807)
Operations and maintenance	8	(814,856)	(746,055)
Administration and other expenditure	9	(708,574)	(720,206)
		<u>(1,764,289)</u>	<u>(1,677,068)</u>
Operating loss for the year		(26,675)	(6,963)
Finance income	10	336	488
Finance costs	11	(654)	(2,100)
		<u>(26,993)</u>	<u>(8,575)</u>
Loss for the year	7	(26,993)	(8,575)

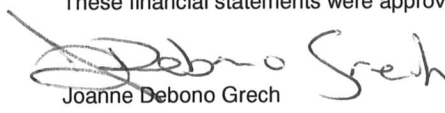


The notes on pages 6 to 29 form an integral part of these financial statements.

Statement of Financial Position
as at 31 December 2016

	Notes	2016 €	2015 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	13	3,493,967	3,466,196
Intangible assets	12	1,016	2,369
		<u>3,494,983</u>	<u>3,468,565</u>
Current Assets			
Inventories	14	3,171	3,580
Receivables	15	126,289	369,808
Cash and cash equivalents	16	136,300	306,274
		<u>265,760</u>	<u>679,662</u>
Total Assets		<u>3,760,743</u>	<u>4,148,227</u>
RESERVES			
Retained earnings		1,340,900	1,367,893
Total equity		<u>1,340,900</u>	<u>1,367,893</u>
Non-Current Liabilities			
Long-term borrowings	19	103,082	151,327
Deferred income	17	1,493,979	1,542,808
		<u>1,597,061</u>	<u>1,694,135</u>
Current Liabilities			
Payables	18	822,782	1,086,199
		<u>822,782</u>	<u>1,086,199</u>
Total Liabilities		<u>2,419,843</u>	<u>2,780,334</u>
Total equity and liabilities		<u>3,760,743</u>	<u>4,148,227</u>

These financial statements were approved by the Local Council on 24th April 2017 and signed on its behalf by:


Joanne Debono Grech
Mayor


Neil Spiteri
Executive Secretary

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

Statement of Changes In Equity
for the year ended 31 December 2016

	Retained Funds	Total
	€	€
At 1 January 2015	1,376,468	1,376,468
Loss for the year	(8,575)	(8,575)
At 31 December 2015	<u>1,367,893</u>	<u>1,367,893</u>
At 1 January 2016	1,367,893	1,367,893
Loss for the year	(26,993)	(26,993)
At 31 December 2016	<u>1,340,900</u>	<u>1,340,900</u>
Equity interests	<u>1,340,900</u>	<u>1,340,900</u>

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

Statement of Cash Flows
for the year ended 31 December 2016

	2016		2015	
	€	€	€	€
Net loss for the year	(26,993)		(8,575)	
Reconciliation to cash generated from operations:				
Depreciation	436,478		366,796	
Amortisation of intangible assets	289		790	
Asset Impairment Losses	11,750		-	
Movement in Provision for Doubtful Debts	6,490		105,365	
Interest receivable	(336)		(488)	
Interest payable	654		2,100	
Operating profit before working capital changes	428,332		465,988	
Decrease in inventories	409		192	
Decrease / decrease in receivables	44,676		(17,009)	
(Increase) in other receivables	36,929		(162,110)	
(Decrease) in payables	(366,875)		(57,796)	
Increase / increase in other payables	39,463		(9,237)	
Government grants released	(205,546)		(161,742)	
Cash generated in operating activities	(22,612)		58,286	
Cash flow from Investing activities				
Interest received	336		488	
Purchase of intangible fixed assets	(236)		-	
Purchase of property, plant & equipment	(474,416)		(155,652)	
Grants refunded	-		(8,395)	
Grants received	327,607		370,141	
Cash generated from investing activities	(146,709)		206,582	
Cash from financing activities				
Repayment of short term bank borrowings	(654)		(2,100)	
Repayment of short term third party borrowings	-		(48,245)	
Cash generated from financing activities	(654)		(50,345)	
Net Decrease in cash in the year	(169,975)		214,523	
Cash and equivalents at beginning of year	306,274		91,751	
Cash and equivalents at end of year	136,299		306,274	

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



1. General Information

The Birkirkara Local Council is the local authority of Birkirkara set up in accordance with the Local Councils Act(1993). The office of the Local Council is situated at Civic Centre, 2nd Floor, Tumas Fenech Street, Birkirkara. These financial statements were approved for issue by the Council Members on 24 April 2017. The Local Council's presentation as well as functional currency are denominated in €.

2. Accounting Policies and Reporting Procedures

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

Accounting convention

These financial statements are prepared under the historical cost convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards.

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).

New and amended standards adopted by the Local Council

During the year the Council has applied the following International Financial Reporting Standards as adopted by the EU which have become mandatorily effective for the year ending 31 December 2016:

On 12 May 2014 the IASB issued Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation. The amendments clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. The issue also introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendments finally add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

On 18 December 2014 the IASB issued Amendments to IAS 1 Disclosure Initiative. It clarifies that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply; provides clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; and gives additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

Standards and Interpretations Issued by the IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following standards and amendments to the existing standards, which were not endorsed for use in the EU as at 31 December 2016 and cannot be applied by the entities preparing their financial statements in accordance with IFRS as adopted by the EU:

- Annual Improvements to IFRS Standards 2014-2016 Cycle (issued December 2016)
- IFRS 15 Revenue from Contracts with Customers (issued in May 2014);

The Councillors are assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Councillors anticipate that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

Intangible Fixed Assets

Computer Software

Computer software is valued at cost less accumulated depreciation and impairment losses to date. Depreciation to write off the cost is calculated on a monthly basis using the reducing balance method at 25% per annum.





Property, plant and equipment

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

	%
Land	0
Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	replacement basis
Playground Furniture	100
Traffic Signs	replacement basis
Road Signs	replacement basis
Street Mirrors	replacement basis
Street Lights	100

Directive issued in 2017 by the Department of Local Councils, applicable as from 1st January 2018, instructs the Council to depreciate non-current assets on a monthly basis using straight line method at the rates specified in the Local Council (Financial) Procedures (P1.X1).

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each date of Statement of Financial Position. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

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

Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Comprehensive Income.



Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Amounts receivable

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

Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard No. 24.

Revenue

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the income statement as it accrues.

Income from central government is not recognised until there is reasonable assurance that the Council will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross and any deductions made for non compliance are to be disclosed separately with expenses.

Local Enforcement System

The Birkirkara Local Council forms part of the Birkirkara Joint Committee which is no longer operative and the Central Regional Committee. The amounts disclosed in the financial statements under Local Enforcement Income represents the amount of fines due to the Council attributable to the pre-pooling period as well as an administrative reimbursement for fines collected by the Council on behalf of the Regional Committee.

Government grants

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight line basis over the expected lives of the related assets.

Directive issued in 2017 by the Department of Local Councils, instructs the Council to adopt the alternative capital approach available in IAS 20, as from 1st January 2018.



Foreign currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the Local Council operates. These financial statements are presented in €, which is the Council's functional and presentation currency.

Transactions denominated in foreign currencies are translated into € at the rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into € at the rates of exchange prevailing at the date of the Statement of Financial Position.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Profits and losses

Only profits that were realised at the date of the Statement of Financial Position are recognised 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.

Cash and equivalents

Cash and Cash Equivalents are carried in the Statement of Financial Position at face value. For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash in hand and balances held with banks.

Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and based on historic experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. 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 Statement'.

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'). This ratio was negative at the reporting date and has not changed significantly from the previous year. 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.

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.

Financial assets

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

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

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

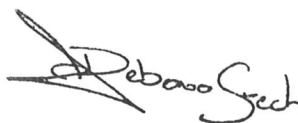
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect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

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of 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.

Financial Liabilities

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

All interest-related charges are included within 'finance costs'.

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3. Funds received from central government

	2016 €	2015 €
In terms of section 55 of the Local Councils Act	1,186,249	1,150,687
Supplementary Government Income	45,887	101,259
Other Government Income	205,546	161,742
	<u>1,437,682</u>	<u>1,413,688</u>

4. Income raised from Bye-Laws

	2016 €	2015 €
Bye-Law - Advertising on Street Furniture	7,637	6,176
Bye-Law - Use of facilities	5,623	5,776
Bye-Law - Organisation of Courses	267	444
	<u>13,527</u>	<u>12,396</u>

5. Local Enforcement System

	2016 €	2015 €
Administration charge on fines collected	17,214	17,432
Contraventions from Pre-Region Tickets	699	736
Share of Profit from Joint Committee	-	1,733
	<u>17,913</u>	<u>19,901</u>



6. General Income

	2016 €	2015 €
Community Services	539	665
Cultural Events	-	4,192
Sale of books and other merchandise	-	20
Sponsorships	500	2,700
Rent Receivable	113,539	121,394
Tender Documents/Info. Charges	400	3,205
Contributions	82,929	53,471
Refund of expenses	5,965	1,480
Discounts Received	1	2
Insurance Claims	1,917	-
Income from Permits	62,702	36,991
	<u>268,492</u>	<u>224,120</u>

7. Loss for the year

	2016 €	2015 €
(Deficit) for the year is stated after charging:		
Staff salaries	Note 240,859	210,807
Depreciation of tangible assets & amortisation of intangible assets	436,767	367,586
Loss on impairment of property, plant and equipment	<u>11,750</u>	<u>-</u>



Staff salaries


	2016 €	2015 €
Mayor's Allowance	14,457	14,097
Mayor's and Councillors' Allowance	15,014	14,675
Executive Secretary Salary and Allowances	34,540	31,512
Employees' Salaries	160,945	136,743
Social Security Contributions	15,903	13,780
	<u>240,859</u>	<u>210,807</u>

Average number of employees:

Employees	11	11
Mayor and councillors	13	13
	<u>24</u>	<u>24</u>

8. Operations and Maintenance

	2016 €	2015 €
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	68,294	6,172
Signs	6,883	3,732
Road Markings	6,085	4,249
Office Furniture and Equipment	1,590	661
Civic Centre Expenses	6,883	3,875
Plant & Equipment	-	130
Sundry Repairs	57	137
Other repairs and Upkeep	40,354	12,230
	<u>130,146</u>	<u>31,186</u>

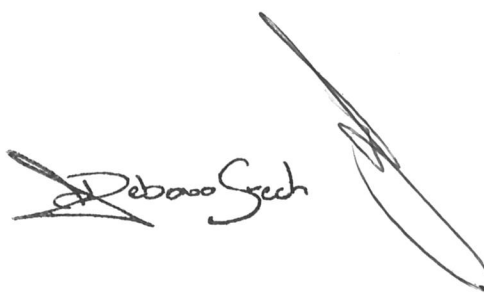


<i>Contractual Services:</i>		
Waste Disposal	160,393	201,186
Refuse Collection	212,963	210,514
Bulky Refuse Collection	19,450	13,614
Hiring of Skips - Bins on Wheels	316	233
Cleaning Services	5,496	6,346
Road & Street Cleaning	170,751	176,694
Cleaning - Public Conveniences	15,714	11,712
Cleaning - Council Premises	8,061	8,252
Clean. & Maint. Parks & Gardens	45,343	30,332
Street Lighting	32,396	25,474
Studies & Consultations	13,376	30,287
Local Enforcement Expenses	451	225
	<u>684,710</u>	<u>714,869</u>
 Total Operations and Maintenance Costs	 <u>814,856</u>	 <u>746,055</u>



9. Administration and other expenditure

	2016 €	2015 €
Utilities	43,104	54,895
Other repairs and upkeep	20,102	16,215
Rent	7,936	8,105
National and International Memberships	8	35
Office Services	20,425	18,025
Transport	25,559	26,908
Travel	-	3,076
Information Services	7,912	5,249
Lease of Equipment	18,865	2,322
Insurance Coverage	5,285	5,161
Bank Charges	315	215
IT Development Services	15,328	12,076
Architect/Engineering Services	1,941	10,833
Legal Services	6,252	5,653
Medical services	-	15
Accountancy Services	9,840	10,830
Auditors' Remuneration	-	3,540
Consultancy Services	162	742
Marketing Services	850	-
Youth Empowerment Services	13,062	15,755
Handyman Service	-	9,310
Security/Police Services	6,486	3,202
Permits and Developments	3,561	120
Training	1,368	650
Conference Expenses	280	280
Other Hospitality Costs	558	1,178
Social Events	34,386	16,764
Cultural Events	850	5,340
Community Services	4,663	8,795
Sundry Minor Expenses	2,287	1,966
Provision for Doubtful Debtors	6,490	105,365
Bad Debts written off	2,182	-
Depreciation and amortisation	436,767	367,586
Impairment of assets	11,750	-
	<u>708,574</u>	<u>720,206</u>



10. Finance Income

	2016 €	2015 €
Bank Interest Receivable	336	488
	<u>336</u>	<u>488</u>

11. Finance Costs

	2016 €	2015 €
Interest on finance lease arrangements	654	2,100
	<u>654</u>	<u>2,100</u>

12. Intangible fixed assets

	Computer Software €
Cost	
At 1 January 2015 and 31 December 2015	7,287
Additions	236
Disposals	(4,308)
31 December 2016	<u>3,215</u>
Provision for diminution in value	
At 1 January 2015	4,128
Charge for year	790
At 31 December 2015	4,918
Released on disposals	(3,008)
Charge for year	289
At 31 December 2016	<u>2,199</u>
Net book values	
At 31 December 2016	<u>1,016</u>
At 31 December 2015	<u><u>2,369</u></u>



Notes to the Financial Statements
for the year ended 31 December 2016

13. Property, plant and equipment


	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & equipment	Office Furniture & fittings	Special Programmes	Total
	€	€	€	€	€	€	€
Cost							
At 1 January 2015	129,900	174,371	1,416,872	226,687	67,645	5,752,245	7,767,720
Additions	138,556	-	2,777	10,992	2,300	1,027	155,652
At 31 December 2015	268,456	174,371	1,419,649	237,679	69,945	5,753,272	7,923,372
Depreciation							
At 1 January 2015	-	174,371	976,952	110,002	28,286	2,369,495	3,659,106
Charge for the year	-	-	43,741	24,725	3,081	295,250	366,797
At 31 December 2015	-	174,371	1,020,693	134,727	31,367	2,664,745	4,025,903
Grants							
At 1 January 2015	-	-	-	-	-	431,273	431,273
At 31 December 2015	-	-	-	-	-	431,273	431,273
Net book values							
At 31 December 2015	268,456	-	398,956	102,952	38,578	2,657,254	3,466,196



**Notes to the Financial Statements
for the year ended 31 December 2016**

13. Property, plant and equipment

	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & equipment	Office Furniture & fittings	Special Programmes	Total
Cost	€	€	€	€	€	€	€
At 1 January 2016	268,456	174,371	1,419,649	237,679	69,945	5,753,272	7,923,372
Additions	66,424	-	150,360	52,434	6,256	199,224	474,698
Assets Capitalised	(199,390)	-	113,391	80,000	-	5,999	-
Impairment	-	-	-	(20,622)	(22,918)	-	(43,540)
At 31 December 2016	135,490	174,371	1,683,400	349,491	53,283	5,958,495	8,354,530
Depreciation							
At 1 January 2016	-	174,371	1,020,693	134,728	31,366	2,664,745	4,025,903
On disposals/impairment	-	-	-	(18,761)	(14,330)	-	(33,091)
Charge for the year	-	-	100,855	25,037	2,511	308,075	436,478
At 31 December 2016	-	174,371	1,121,548	141,004	19,547	2,972,820	4,429,290
Grants							
At 1 January 2016	-	-	-	-	-	431,273	431,273
At 31 December 2016	-	-	-	-	-	431,273	431,273
Net book values							
At 31 December 2016	135,490	-	561,852	208,487	33,736	2,554,402	3,493,967

14. Inventories

	2016	2015
	€	€
Books and other publications	3,171	3,580

15. Receivables

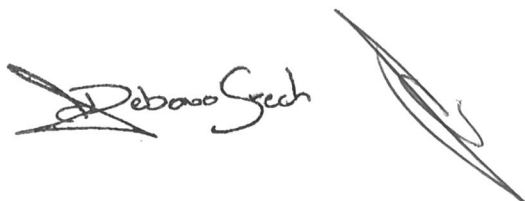
	2016	2015
	€	€
Receivables	31,458	88,056
Other receivables	3,019	3,019
Prepayments	5,498	5,622
Financial assets	39,975	96,697
Accrued income	86,314	273,111
	126,289	369,808

Receivables

General receivables are analysed as follows:

	2016	2015
	€	€
Within credit period	7,956	348
Exceeded credit period but not impaired	23,502	87,708
Impaired and provided for	34,172	26,040
Provision for doubtful debts	(34,172)	(26,040)
	31,458	88,056

Included in the receivables are debtors with a carrying amount of € 23,502 (2015: € 87,708) which are past due at the reporting date, for which the Council has not provided as there has not been significant change in the credit quality and the amounts are still considered recoverable. The age of financial assets past due but not impaired is as follows:



	2016 €	2015 €
Not more than 3 months	4,680	34,019
More than 3 months but not more than 6 months	-	13,535
More than 6 months	18,822	40,154
	<u>23,502</u>	<u>87,708</u>

The movement in the provision for doubtful debts is as follows:

	2016 €	2015 €
Balance as at 1 January	533,777	78,268
(Decrease) / Increase in provision for LES debtors	(1,642)	435,428
Increase in provision for general receivables	8,132	20,081
Balance at 31 December	<u>540,267</u>	<u>533,777</u>

Local Enforcement System (LES) Debtors

LES Debtors are stated after a specific provision for doubtful debts amounting to € 506,095 (2015: € 507,737)

General Receivables

General receivables are stated after a specific provision for doubtful debts amounting to € 34,172 (2015: € 26,040)

Accrued Income

Grants receivables are stated after a specific provision for doubtful debts amounting to € 85,284 (2015: € 85,284)

16. Notes to the Statement of Cash Flows

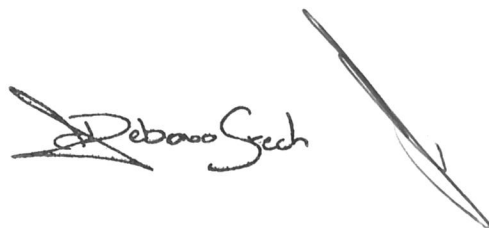
Cash & cash equivalents

Cash and cash equivalents included in the Statement of Cash Flows comprise the following amounts in the Statement of Financial Position:

	2016 €	2015 €
Bank Balances	136,075	305,849
Cash in Hand	225	425
	<u>136,300</u>	<u>306,274</u>



17. Deferred income	2016	2015
	€	€
Government grants		
At 1 January 2016	1,675,940	1,518,873
Increase in year	172,184	318,809
	<u>1,848,124</u>	<u>1,837,682</u>
Released in year	(205,546)	(161,742)
At 31 December 2016	<u>1,642,578</u>	<u>1,675,940</u>
Current Deferred Income	<u>148,599</u>	<u>133,132</u>
Non-Current Deferred Income	<u>1,493,979</u>	<u>1,542,808</u>
Deferred Government Grants		
Deferred between one and two years	133,622	119,739
Deferred between two and five years	325,477	291,735
Deferred in five years or more	1,034,880	1,131,334
	<u>1,493,979</u>	<u>1,542,808</u>
Deferred after five years or more:		
Government Grants	<u>1,034,880</u>	<u>1,131,334</u>
18. Payables	2016	2015
	€	€
Payables	579,003	897,350
Other payables	257	257
Net obligations under finance leases and hire purchase contracts	-	1,542
Accruals	84,915	48,104
Financial liabilities	<u>664,175</u>	<u>947,253</u>
Other taxes and social security costs	5,631	5,344
Deferred Government income	148,599	133,132
Other Deferred income	4,377	470
	<u>822,782</u>	<u>1,086,199</u>



19. Borrowings

	2016 €	2015 €
Non-current		
Third party borrowings	103,082	151,327
Current		
Net obligations under finance leases and hire purchase contracts	-	1,542
Borrowings		
Repayable between one and two years	48,245	48,245
Repayable between two and five years	54,837	103,082
	103,082	151,327

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20. Capital commitments

	2016 €	2015 €
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	938,000	65,000
Contracted for but not provided in the financial statements	<u>100,000</u>	<u>31,356</u>
These could be analysed as follows:		
(i) Approved but not yet contracted for:		
Plant & Machinery	4,000	-
Office Furniture and Fittings	8,000	2,000
Urban Improvements	39,000	30,000
Office Equipment & Computer Equipment	7,000	3,000
Urban Greening Project	30,000	30,000
Embellishment Gnien Stazzjon	150,000	-
Embellishment - Valley Area	700,000	-
	<u>938,000</u>	<u>65,000</u>
(ii) Contracted for but not provided in the Financial Statements:		
CCTV Cameras	-	31,356
Embellishment Ta' Paris Housing Estate (Phase II)	<u>100,000</u>	-
	<u>100,000</u>	<u>31,356</u>

The approved commitments earmarked for the Embellishment of Gnien Stazzjon and Valley Area are entirely dependent on the approval of Funds receivable from the Regional Committee, Central Government through Special Schemes and EU Funding. If the Council fails to acquire any of these indicated funds, the referred Projects will be withdrawn.



21. Contingent liabilities

The Council is contesting the following:

- a) Claim made by a particular bidder granted the use of Council's facilities as adjudicated by tender but which had to be revoked due to legal difficulties on the devolution of the said site by the Council. The bidder is seeking the Council for damages from loss of business and equipment. The extent of the claim could not be quantified.
- b) Claim made by one of its service providers (TCTC) regarding amounts payable for courses fees. The value of the claim amounts to € 35,000.
- c) A Court case against it by Ms. Helen Sammut Alessi regarding alleged damages sustained by works performed by the Council at St. Helen Square. The amount could not be quantified.
- d) Claims made by a particular supplier amounting to €55,385, currently contested by the Council as services not yet certified and therefore not payable. The supplier is reserving the right to take legal actions against the Council if the amount in question is not settled accordingly. The contractor is claiming that the works should have been certified as soon as executed.
- e) Claims made by a third party claiming an amount of €429 from the Council jointly with other Government Authorities, namely Malta Industrial Parks et al.
- f) Claims made by other third parties claiming damages against the Council, may result in a potential financial liability of an amount not exceeding €6,000 if the case is adjudicated against it.



22. Related party transactions

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Councils	Significant control
Birkirkara Joint Committee (Local Enforcement)	Joint Control
Central Regional Committee	Joint Control
Gozo Regional Committee	No control
South Regional Committee	No control
North Regional Committee	No control
South East Regional Committee	No control
Local Enforcement System Authority	No control
Malta Environment and Planning Authority	No control
Malta Tourism Authority	No control
Maltapost plc	No control
Malta Communications Authority	No control
MEUSAC	No control
Foundation for Educational Services	No control
Bank of Valletta plc	No control
Police General Headquarters	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Department of Public Cleansing	No control
Department of Information	No control
Department of Lands	No control
Commissioner of Data Protection	No control
Department of Health	No control
Department of Civil Protection	No control
Ministry for the Elderly	No control
Ministry for Information Technology and Communications	No control
Ministry for Resources and Rural Affairs	No control
Minsitry for Social Policy	No control
Department for Public libraries	No control
Wasteserv Malta Limited	No control
Msida Local Council	No Control

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

	2016	2015
	€	€
Annual Financial Allocation	1,186,249	1,150,687



Key management compensation

Transactions with key management personnel are disclosed in note 7 and presented as follows:

	2016 €	2015 €
Mayor's Honoraria	14,457	14,097
Mayor's and Councillors' Allowance	15,014	14,675
Executive Secretary Salary and Allowances (inclusive of Social Security Costs)	36,754	33,603
	<u>66,225</u>	<u>62,375</u>

Ultimate controlling party

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

23. 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 sales of products are made to customers 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:

	2016 €	2015 €
Classes of financial assets - carrying amounts:		
Trade and other receivables	120,791	364,186
Cash and cash equivalents	136,300	306,274
	<u>257,091</u>	<u>670,460</u>

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 tries to monitor and manage its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. As at year end, the Council has cash and cash equivalents amounting to € 136,300. The Council also maintains a positive net asset position of € 1,340,900.

At 31 December 2016, the council's financial liabilities had contractual maturities which are summarised below:


	Current within 1 year €	Non - Current 1 to 5 years €	Non-Current later than 5 years €
Payables	579,003	-	-
Other payables	257		
Accruals	84,915	-	-
	<u>664,175</u>	<u></u>	<u></u>

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

	Current within 1 year €	Non - Current 1 to 5 years €	Non-Current later than 5 years €
Payables	897,350	-	-
Other creditors	257		
Accruals	48,104	-	-
	<u>945,711</u>	<u></u>	<u></u>

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 objective 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.

24. 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.

	2016 €	2015 €
Current assets		
Loans and receivables:		
Trade and other receivables	120,791	364,186
Cash and cash equivalents	136,300	306,274
	<u>257,091</u>	<u>670,460</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	579,003	897,350
Other creditors	257	257
Accruals	84,915	48,104
	<u>664,175</u>	<u>945,711</u>

25. 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.

26. Going Concern

The statement of financial position on page 3 and the notes thereto, with special reference to capital commitments, suggest that the going concern assumption used in the preparation of these financial statements is dependent on further sources of funds other than the annual financial allocation by Central Government, on the collection of debts due to the Council and on the continued support of the Council's creditors. Any adverse change in either of these assumptions above, would not let the Council able to meet its financial obligations as they fall due without curtailing its future commitments.

