

Ir-Rabat Local Council

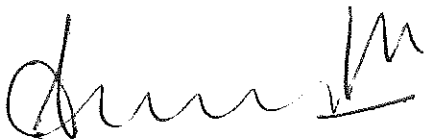
Annual Report and Financial Statements  
31 December 2012

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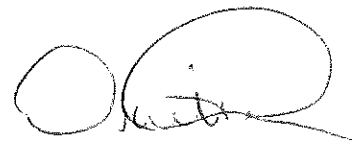
**Statement of Local Council Members' and Executive Secretary's Responsibilities**

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 income and expenditure 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.



Charles Azzopardi  
Mayor



Orietta Masini Cardona  
Executive Secretary

**Report of the Local Government Auditor to the Auditor General**



**Statement of Comprehensive Income**

	Notes	2012 €	2011 €
<b>Income</b>			
Funds received from central government	4	1,027,144	932,082
Investment Income	5	48	29
General Income	6	83,263	65,816
		<u>1,110,455</u>	<u>997,927</u>
<b>Expenditure</b>			
Personal emoluments	7	141,512	118,037
Operations and Maintenance	8	678,415	558,217
Administrative and other Expenditure	9	354,625	295,778
Finance costs	10	4,203	4,313
		<u>1,178,755</u>	<u>976,345</u>
<b>(Loss)/profit for the year</b>		<u>(68,300)</u>	<u>21,582</u>

**Statement of Financial Position**

	Notes	2012 €	2011 As re-stated €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible asset	12	665	356
<b>Tangible assets</b>			
Property, plant and equipment	13	1,888,910	1,854,760
<b>Current assets</b>			
Receivables	14	59,226	119,458
Cash and cash equivalents	15	159,026	111,872
		218,252	231,330
<b>Total Assets</b>		<b>2,107,827</b>	<b>2,086,446</b>
<b>Reserves</b>			
Retained Fund		1,480,136	1,534,946
<b>Non-current Liabilities</b>			
Long term borrowings	16	93,881	103,014
Deferred Income	17	135,694	62,419
		229,575	165,433
<b>Current Liabilities</b>			
Payables	18	388,916	377,194
Current portion of long-term borrowings	16	9,200	8,873
		398,116	386,067
<b>Total Liabilities</b>		<b>627,691</b>	<b>551,500</b>
<b>Total Reserves and Liabilities</b>		<b>2,107,827</b>	<b>2,086,446</b>

These financial statements were approved by the Local Council on 29<sup>th</sup> April 2013 and are signed on its behalf by:



Charles Azzopardi  
Mayor



Orietta Masini Cardona  
Executive Secretary

**Statement of Changes in Equity**

	Note	Retained Funds €	Total €
Balance at 1 January 2011		1,518,364	1,518,364
Prior year adjustment		(5,000)	(5,000)
<b>Restated Balance at 1 January 2011</b>		<b>1,513,364</b>	<b>1,513,364</b>
Balance at 1 January 2011		1,513,364	1,513,364
Profit for the year		21,582	21,582
<b>Balance at 31 December 2011</b>		<b>1,534,946</b>	<b>1,534,946</b>
Balance at 1 January 2012		1,534,946	1,534,946
Prior year adjustment	11	13,490	13,490
<b>Restated Balance at 1 January 2012</b>		<b>1,548,436</b>	<b>1,548,436</b>
Balance at 1 January 2012		1,548,436	1,548,436
Loss for the year		(68,300)	(68,300)
<b>Balance at 31 December 2012</b>		<b>1,480,136</b>	<b>1,480,136</b>



**Statement of Cash Flows**

	Note	2012 €	2011 €
<b>Cash flows from operating activities</b>			
(Loss)/profit for the year		(68,300)	21,582
Adjustments for:			
Prior year adjustment		13,490	(5,000)
Depreciation		186,877	166,008
Amortisation charge		222	118
Transfer from assets not yet capitalised to PPE		7,542	-
Loss on disposal of asset		1,512	-
Investment income receivable		(48)	(29)
Interest payable		4,203	4,313
<b>Surplus for the period before working capital movements</b>		<b>145,498</b>	<b>186,992</b>
Movement in inventories		-	1,758
Movement in receivables		60,232	(56,460)
Movement in payables		24,270	91,976
		<b>230,000</b>	<b>224,266</b>
Interest paid		(4,203)	(4,313)
<b>Net cash generated from operating activities</b>		<b>225,797</b>	<b>219,953</b>
<b>Cash flows from investing activities</b>			
Investment income receivable		48	29
Payment to acquire intangible asset		(531)	-
Payment to acquire property, plant and equipment		(230,081)	(256,608)
<b>Net cash used in investing activities</b>		<b>(230,564)</b>	<b>(256,579)</b>
<b>Cash flows from financing activities</b>			
Government grants		60,727	69,177
Payments of long-term borrowings		(8,806)	(8,498)
<b>Net cash generated from financing activities</b>		<b>51,921</b>	<b>60,679</b>
<b>Movement in cash and cash equivalents</b>		<b>47,154</b>	<b>24,053</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>111,872</b>	<b>87,819</b>
<b>Cash and cash equivalents at the end of the year</b>	15	<b>159,026</b>	<b>111,872</b>

**Notes to the Financial Statements**  
**For the year ended 31 December 2012****1. Statutory Information**

Ir-Rabat Local Council is the local authority of Rabat setup in accordance with the Local Councils Act. The Office of the Local Council is situated at 8, Hospital Street, Rabat, Malta.

**2. Going concern**

At the statement of financial position date, the current liabilities of the Local Council exceeds its current assets by €154,232 (2011: €154,737). These financial statements have been prepared on a going concern basis, which assumes that the Central Government will continue to provide support to the Local Council in the foreseeable future.

**3. Accounting policies and reporting procedures**

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 (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.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the council's accounting policies.

*Standards, interpretations and amendments to published standards effective in 2012*

The Local Council adopted new standards, amendments and interpretations to existing standards that are mandatory for the Local Council's accounting period beginning on or after 1 January 2012. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Local Council's accounting policies.

*Standards, interpretations and amendments to published standards that are not yet effective*

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements, that are mandatory for accounting periods beginning on or after 1 January 2013. The Local Council has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Local Council's executive secretary is of the opinion that there are no requirements that will have a significant impact on the Local Council's financial statements in the period of initial application.

**3. Accounting policies and reporting procedures - continued****a. Revenue recognition**

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.

**b. Local Enforcement System**

Rabat Local Council used to form part of B'Kara 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.

**c. Government Grants**

Government grants are accounted for on a systematic basis in the Statement of Comprehensive Income over the periods necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related cost, then the grant is accounted for when it becomes receivable.

**d. Intangible assets**

Intangible assets comprise computer software.

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of 25% using the reducing balance method. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Where an indication of impairment exists, in that the carrying amount of an intangible asset is greater than its estimated recoverable amount, a charge is made to write down the value of the asset to its estimated recoverable amount (Accounting policy f).

**3. Accounting policies and reporting procedures - continued****e. Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated on a monthly basis using the reducing balance 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%
• Construction works	10%
• Urban Improvements (Street Furniture)	10%
• Special Projects	10%
• Office Equipment	20%
• Motor Vehicles	20%
• Plant and Machinery	20%
• Computer Equipment	25%

Other plant and equipment are listed on a replacement basis.

**f. 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.

**g. 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.

**3. Accounting policies and reporting procedures - continued****h. 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.

**i. 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.

**j. Payables**

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

**k. 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.

**l. 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.

**m. 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'

**3. Accounting policies and reporting procedures - continued****n. 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.

**o. Financial instruments**

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs. They are measured subsequently as described below.

**p. 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.

**3. Accounting policies and reporting procedures - continued****p. Financial assets - continued**

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.

**4. Funds Received from Central Government**

	2012 €	2011 €
In terms of Section 55 of the Local Councils Act (Cap 363)	975,075	930,583
Other Government Income	52,069	1,499
	<u>1,027,144</u>	<u>932,082</u>

**5. Investment income**

	2012 €	2011 €
Bank interest receivable	<u>48</u>	<u>29</u>

**6. General Income**

	2012 €	2011 €
Income from tender documents	2,800	2,050
Common Agricultural Policy – EU Funds	42,618	21,999
Income from permits	5,742	5,553
Library service	580	582
Income from LES	8,726	17,503
Contributions and donations	15,429	16,913
Administrative fee	7,368	1,216
	<u>83,263</u>	<u>65,816</u>

**7. Personal Emoluments**

	2012 €	2011 €
Mayor's allowance	11,421	11,625
Executive Secretary and allowances	32,033	13,977
Employees' salaries	81,667	75,552
Social Security Contributions	8,795	7,283
Councillors' remuneration	7,596	9,600
	<b>141,512</b>	<b>118,037</b>

**8. Operations and Maintenance**

	2012 €	2011 €
<b>Repairs and Upkeep:</b>		
Road and street pavements (Patching works)	180,085	118,071
Repair plant and equipment	34,114	27,084
Sundry repairs	6,491	138
	<b>220,690</b>	<b>145,293</b>

	2012 €	2011 €
<b>Contractual Services:</b>		
Refuse collection (including bins on wheels)	132,579	115,405
Waste disposal	76,945	83,357
Bulky refuse collection (including open skips)	13,775	12,627
Road and street cleaning (mechanical and manual)	84,708	81,273
Other contractual services	50,453	50,742
Cleaning and Maintenance of Non-Urban Roads	49,333	18,678
Cleaning and Maintenance of Public Conveniences	14,982	17,473
Cleaning and Maintenance of Parks and Gardens	34,950	33,369
	<b>457,725</b>	<b>412,924</b>
	<b>678,415</b>	<b>571,119</b>



**9. Administration and other expenditure**

	2012 €	2011 €
Utilities	11,904	10,818
Other repairs and upkeeps	3,886	5,897
Rent	1,927	3,389
Library	429	761
National & International membership	72	276
Office services	12,422	14,080
Travel	452	309
Transport	7,848	9,394
Information services	9,094	2,510
Other contractual services	14,162	8,969
Professional services	42,101	24,570
Community and hospitality	7,557	7,083
Social events	2,783	3,528
Cultural events	3,662	12,300
Penalty fines	-	7,029
EU Cap Expenses	46,078	18,436
Uniforms	1,181	17
Bank interest and charges	456	286
Depreciation	186,877	166,008
Amortisation charge	222	118
Loss on disposal of asset	1,512	-
	<u>354,625</u>	<u>295,778</u>

**10. Finance costs**

	2012 €	2011 €
Interest on bank loan	<u>4,203</u>	<u>4,313</u>

**11. Prior Year Adjustment**

The Local Council has previously charged to the statement of comprehensive income the income relating to unanswered parliamentary question which then was refunded back during the year under review. Moreover, income from sustainable localities in relation to previous years' projects was credited to the statement of comprehensive income during the year under review.

	<b>2011</b> €
At the beginning of the year as previously stated	1,534,946
Prior year adjustment	13,490
<b>At the beginning of the year as restated</b>	<u><u>1,548,436</u></u>

**12. Intangible asset**

	Computer Software €
<b>At 31 December 2010</b>	
Cost	495
Accumulated amortisation	(21)
Net book amount	474
<b>Movements for the year ended 31 December 2011</b>	
Opening net book amount	474
Amortisation charge	(118)
Closing net book amount	356
<b>At 31 December 2011</b>	
Cost	495
Accumulated amortisation	(139)
Net book amount	356
<b>Movements for the year ended 31 December 2012</b>	
Opening net book amount	356
Additions	531
Amortisation charge	(222)
Closing net book amount	665
<b>At 31 December 2012</b>	
Cost	1,026
Accumulated amortisation	(361)
Net book amount	665

Amortisation of €222 (2011: €118) is included in administrative expenses.

13a. Property, plant and equipment

Asset	Property	Office furniture and fittings	Office Equipment	Plant and Machinery	Urban improvements	New street signs	Computer Equipment	Special Programmes	Motor Vehicles	Assets not yet capitalized	Total
	€	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>											
As at 1 January 2012	272,535	41,024	45,116	1,090	2,010,997	64,685	34,133	1,210,321	11,644	7,542	3,699,087
Additions	-	492	-	538	228,911	-	140	-	-	-	230,081
Disposal/Transferred to PPE	-	(1,578)	(5,962)	-	-	-	-	-	-	(7,542)	(15,082)
As at 31 December 2012	272,535	39,938	39,154	1,628	2,239,908	64,685	34,273	1,210,321	11,644	-	3,914,086
<b>Grants and other reimbursements</b>											
As at 1 January 2012	-	-	-	-	73,020	-	-	256,980	-	-	330,000
Additions	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2012	-	-	-	-	73,020	-	-	256,980	-	-	330,000
<b>Accumulated Depreciation</b>											
As at 1 January 2012	24,641	23,767	39,318	318	899,882	64,685	28,645	426,793	6,278	-	1,514,327
Charge for the year	2,479	1,266	1,031	262	126,701	-	1,407	52,658	1,073	-	186,877
Release on depreciation	-	(705)	(5,323)	-	-	-	-	-	-	-	(6,028)
As at 31 December 2012	27,120	24,328	35,026	580	1,026,583	64,685	30,052	479,451	7,351	-	1,695,176
<b>Net Book Value</b>											
As at 31 December 2012	245,415	15,610	4,128	1,048	1,140,305	-	4,221	473,890	4,293	-	1,888,910
As at 31 December 2001	247,894	17,257	5,798	772	1,038,095	-	5,488	526,548	5,366	7,542	1,854,760

13b. Property, plant and equipment

Asset	Property	Office furniture and fittings	Office Equipment	Plant and Machinery	Urban Improvements	New street signs	Computer Equipment	Special Programmes	Motor Vehicles	Assets not yet capitalized	Total
	€	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>											
As at 1 January 2011	272,535	40,287	43,754	1,090	1,760,479	64,685	31,873	1,210,321	11,644	5,811	3,442,479
Additions	-	737	1,362	-	250,518	-	2,260	-	-	1,731	256,608
As at 31 December 2011	272,535	41,024	45,116	1,090	2,010,997	64,685	34,133	1,210,321	11,644	7,542	3,699,087
<b>Grants and other reimbursements</b>											
As at 1 January 2011	-	-	-	-	73,020	-	-	256,980	-	-	330,000
Additions	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2011	-	-	-	-	73,020	-	-	256,980	-	-	330,000
<b>Accumulated Depreciation</b>											
As at 1 January 2011	22,137	22,368	37,868	125	801,101	64,685	26,815	368,283	4,937	-	1,348,319
Charge for the year	2,504	1,399	1,450	193	98,781	-	1,830	58,510	1,341	-	166,008
As at 31 December 2011	24,641	23,767	39,318	318	899,882	64,685	28,645	426,793	6,278	-	1,514,327
<b>Net Book Value</b>											
As at 31 December 2011	247,894	17,257	5,798	772	1,038,095	-	5,488	526,548	5,366	7,542	1,854,760
As at 31 December 2010	250,398	17,919	5,886	965	886,358	-	5,058	585,058	6,707	5,811	1,764,160

**14. Receivables**

	2012 €	2011 €
Receivables	22,345	3,455
Prepayments and accrued income	35,322	98,215
Other receivables	1,559	17,788
	59,226	119,458
<b>Receivables are stated net of impairment charges as follows:</b>		
Receivables	22,345	3,455

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables. As at 31 December 2012, trade receivables of €22,345 (2011: €3,455) were past due but not impaired.

Receivables are stated net of a provision for doubtful debts of €nil (2011: €nil).

**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:

	2012 €	2011 €
Bank balances:		
Ordinary funds	158,785	111,631
Cash in hand	241	241
	159,026	111,872

**16. Borrowings**

	2012 €	2011 €
<b>Non-current</b>		
Bank loans	93,881	103,014
	2012 €	2011 €
<b>Current</b>		
Bank loans	9,200	8,873
<b>Total borrowings</b>	<b>103,081</b>	<b>111,887</b>

The bank loan is secured by special and general hypothecs over the local council's assets.

Interest rate exposure:

	2012 €	2011 €
At fixed rates	103,081	111,887

Effective interest rates at end of reporting period:

	2012 %	2011 %
Bank loan	3.65	3.65

Maturity of borrowings falling due after more than one year:

	2012 €	2011 €
Between 1 and 2 years	9,541	9,202
Between 2 and 5 years	15,837	15,274
Over 5 years	68,503	78,538
	93,881	103,014

**17. Long term deferred income**

	2012 €	2011 €
Government grant	135,694	62,419

**18. Payables**

	2012 €	2011 €
Payables	239,712	136,357
Accruals and deferred income	126,914	205,834
Contractors' deposits	8,080	8,245
Government Grants	14,210	26,758
	388,916	377,194

**19. Contingent liabilities**

At 31 December 2012, guarantees amounting to €1,000 (2011: €17,229) were given by the Local Council to MEPA with regard to capital projects.

**20. Related party transactions**

During the year, the Local Council had effected transactions with related parties resulting mainly in connection with income and administrative transactions, are disclosed in notes 4 and 6 to these financial statements.

The following transactions were carried out with related parties:

	2012 €	2011 €
<b>(a) Funds received from Local Government</b>	1,027,144	932,082
:		
	2012 €	2011 €
<b>(b) Joint Committee expenses</b>	8,726	17,503



**20. Related party transactions - continued**

	2012 €	2011 €
<b>(c) Council Regions</b>	<b>7,368</b>	<b>1,216</b>
	2012 €	2011 €
<b>(d) WasteServ expenses</b>	<b>76,945</b>	<b>83,357</b>

**21. Financial risk management****Overview**

The Local Council has an exposure to the following risks arising from the use of financial instruments within its activities:

- Credit risk
- Liquidity risk

This note presents information about the Local Council's exposure to each of the above risks, policies and processes for measuring and managing risk, and the Local Council's management of capital. Further quantitative disclosures are included in these financial statements.

The responsibility for the management of risk is vested in the Executive Secretary. Accordingly, it is the Executive Secretary who has the overall responsibility for establishing an appropriate risk management framework.

**Credit risk**

Credit risk is the risk of financial loss to the Local Council if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Local Council's receivables and bank balances.

The company's cash is placed with prime financial institutions.

Receivables are presented net of impairment charges for bad and doubtful debts. The Local Council has no concentration of credit risk that could materially impact on the sustainability of its operations.

**21. Financial risk management -continued*****Liquidity risk***

Liquidity risk is the risk that the Local Council will not be able to meet its financial obligations as they fall due.

The Local Council's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Generally, the Local Council ensures that it has sufficient cash on demand to meet expected operational expenditure, including the servicing of financial obligations. Furthermore, the Local Council utilises borrowing facilities granted by its bankers as detailed in Note 16.

**Capital management**

It is the policy of the Executive Secretary to maintain an adequate capital base in order to sustain the future development of the business and safeguard the ability of the Local Council to continue as a going concern. In this respect, the Executive Secretary monitors the operations and results of the Local Council.

**Fair values**

At 31 December 2012 and 2011 the carrying amounts of cash at bank, receivables, payables and accrued expenses and short-term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments and/or the relatively short period of time between the origination of the instruments and their expected realisation. The fair values of long-term borrowings are not materially different from their carrying amounts.

**22. Capital commitments****Capital expenditure**

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

	2012 €	2011 €
Contracted but not provided for	371,153	853,456
Authorised but not contracted	-	-
	<hr/>	<hr/>

The capital expenditure - contracted but not provided for - amounting to €371,153 is to be done over a period of two years according to the contract already awarded by the Local Council.