



Ir-Rabat Local Council

Annual Report and Financial Statements
31 December 2015

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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.



Charles Azzopardi
Mayor



Orietta Cardona
Executive Secretary

Report of the Local Government Auditor to the Auditor General

Statement of Comprehensive Income

	Notes	2015 €	2014 €
Income			
Funds received from central government	3	1,047,253	1,025,831
Investment Income	4	213	218
General Income	5	31,788	14,447
Income from Bye Law	6	3,930	4,209
		1,083,184	1,044,705
Expenditure			
Personal emoluments	7	145,645	139,855
Operations and Maintenance	8	338,844	568,468
Administrative and other Expenditure	9	297,086	248,634
Finance costs	10	2,697	3,119
		784,272	960,076
Total comprehensive income for the year		298,912	84,629

Statement of Financial Position

	Notes	2015 €	2014 €
ASSETS			
Non-current assets			
Intangible asset	11	281	374
Tangible assets			
Property, plant and equipment	12	2,289,903	1,817,577
Current assets			
Receivables	13	18,946	23,016
Cash and cash equivalents	14	580,219	386,447
		599,165	409,463
Total Assets		2,889,349	2,227,414
Reserves			
Retained Fund		1,817,268	1,518,356
Non-current Liabilities			
Long term borrowings	15	63,633	74,090
Deferred Income	16	703,528	364,996
		767,161	439,086
Current Liabilities			
Payables	17	294,434	259,830
Current portion of long-term borrowings	15	10,486	10,142
		304,920	269,972
Total Liabilities		1,072,081	709,058
Total Reserves and Liabilities		2,889,349	2,227,414

These financial statements were approved by the Local Council on the 18th of February 2016 and are signed on its behalf by:



Charles Azzopardi
Mayor



Orietta Cardona
Executive Secretary

Statement of Changes in Equity

	Retained Earnings €	Total €
Balance at 1 January 2014	1,433,727	1,433,727
Profit for the year	84,629	84,629
Balance at 31 December 2014	1,518,356	1,518,356
Balance at 1 January 2015	1,518,356	1,518,356
Profit for the year	298,912	298,912
Balance at 31 December 2015	1,817,268	1,817,268

Statement of Cash Flows

	Note	2015 €	2014 €
Cash flows from operating activities			
Profit for the year		298,912	84,629
Adjustments for:			
Depreciation		231,582	171,724
Amortisation charge		93	125
Provision for bad debts		-	(4,100)
Investment income receivable		(213)	(218)
Interest payable		2,697	3,119
Surplus for the period before working capital movements		533,071	255,279
Movement in receivables		4,070	(463)
Movement in payables		(4,673)	(96,083)
		532,468	158,733
Interest paid		(2,697)	(3,119)
Net cash generated from operating activities		529,771	155,614
Cash flows from investing activities			
Investment income receivable		213	218
Payment to acquire property, plant and equipment		(703,908)	(102,465)
Net cash used in investing activities		(703,695)	(102,247)
Cash flows from financing activities			
Grants		377,809	253,074
Payments of long-term and short – term borrowings		(10,113)	(9,690)
Net cash generated from financing activities		367,696	243,384
Movement in cash and cash equivalents		193,772	296,751
Cash and cash equivalents at the beginning of the year		386,447	89,696
Cash and cash equivalents at the end of the year	14	580,219	386,447

Notes to the Financial Statements
For the year ended 31 December 2015**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. Accounting policies

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

a. Basis of preparation

The financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap 363). The financial statements are prepared under the historical cost convention, in accordance to the requirements of International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

b. Use of estimates and judgements

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

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

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

2. Accounting policies - continued**c. New standards, interpretations and amendments to published standards effective from 1 January 2015**

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 2015. These are:

- Annual Improvements 2010-2012 Cycle
 - *IAS 16 Property, Plant and Equipment and IAS 38 Intangible Asset*
The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact to the revaluation adjustments recorded by the Local Council during the current period.
 - *IAS 24 Related Party Disclosures*
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Local Council as it does not receive any management services from other entities.
- Annual Improvements 2011-2013 Cycle
 - *IFRS 13 Fair Value Measurement*
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Local Council does not apply the portfolio exception in IFRS 13.

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.

2. Accounting policies - continued**d. New 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 2016. These include the following:

- Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests*
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*
- Annual Improvements 2012-2014 Cycle
 - IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
 - IFRS 7 *Financial Instruments: Disclosures*
 - IAS 19 *Employee Benefits*
 - IAS 34 *Interim Financial Reporting*

These amendments and improvements in IFRSs as adopted by the EU are not relevant to the Local Council.

The following are the 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 2016 which are relevant to the company:

- Amendments to IAS 1 *Disclosure Initiative*

The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

 - The materiality requirements in IAS 1
 - That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
 - That entities have flexibility as to the order in which they present the notes to financial statements
 - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Local Council.

2. Accounting policies - continued**d. New standards, interpretations and amendments to published standards that are not yet effective - continued****- Amendments to IAS 27 *Equity Method in Separate Financial Statements***

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Local Council's financial statements.

- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments clarify that for intangible assets there is a rebuttable presumption that amortization based on revenue is not appropriate. This can only be rebutted in limited circumstances where either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated. Subject to adoption by the EU, these amendments are effective for financial periods beginning on or after, 1 January 2016. These amendments will not have any impact on the Local Council's financial statements.

e. 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.

f. Functional and presentation currency

Items included in the Local Council's financial statements are measured using the currency of the primary economic environment in which the entity operates. The Local Council's financial statements are presented in Euro, which is the Local Council's functional currency.

g. Local Enforcement System

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.

2. Accounting policies - continued

h. Government Grants

Government grants are accounted for on a systematic basis in the Statement of Profit or Loss 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.

i. 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 live 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 (k)).

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 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.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount, and are taken into account in determining operating profit.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (Accounting policy (k)).

2. Accounting policies - continued**k. 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.

l. 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.

m. 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.

n. 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.

o. 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.

p. 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.

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.

r. Borrowings

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.

s. 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.

t. 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.

u. Financial assets

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

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

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

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

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

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considerable to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

3. Funds Received from Central Government

	2015 €	2014 €
In terms of Section 55 of the Local Councils Act (Cap 363)	991,267	959,183
Other Government Income	52,991	37,004
Other supplementary income	2,995	29,644
	1,047,253	1,025,831

4. Investment income

	2015 €	2014 €
Bank interest receivable	213	218

5. General Income

	2015 €	2014 €
Income from tender documents	5,230	450
Income from permits	14,618	6,793
Income raised under Local Enforcement System	478	-
Contributions and donations	1,719	4,319
Administrative fee	9,743	7,940
	<u>31,788</u>	<u>19,502</u>

6. Income from bye law

	2015 €	2014 €
Income from bye law	<u>3,930</u>	<u>4,209</u>

7. Personal Emoluments

	2015 €	2014 €
Mayor's allowance	10,372	11,902
Executive Secretary and allowances	35,830	35,014
Employees' salaries	78,574	76,545
Social Security Contributions	9,469	8,714
Councillors' remuneration	11,400	7,680
	<u>145,645</u>	<u>139,855</u>

8. Operations and Maintenance

	2015 €	2014 €
Repairs and Upkeep:		
Road and street pavements (Patching works)	25,278	147,662
Repair plant and equipment	21,597	25,991
Sundry repairs	403	2,831
	<u>47,278</u>	<u>176,484</u>

8. Operations and Maintenance – continued

	2015 €	2014 €
Contractual Services:		
Refuse collection (including bins on wheels)	94,892	139,921
Waste disposal	66,718	58,491
Bulky refuse collection (including open skips)	8,443	13,929
Road and street cleaning (mechanical and manual)	50,830	53,749
Other contractual services	28,523	33,202
Cleaning and maintenance	-	11,415
Cleaning and Maintenance of Non-Urban Roads	4,687	46,402
Cleaning and Maintenance of Public Conveniences	8,700	9,818
Cleaning and Maintenance of Parks and Gardens	28,773	25,057
	291,566	391,984
	338,844	568,468

9. Administrative and other expenditure

	2015 €	2014 €
Utilities	8,706	10,400
Other repairs and upkeeps	572	2,578
Rent	2,250	1,990
Library	601	-
National & International membership	260	774
Office services	9,674	7,155
Travel	3,359	-
Transport	5,343	7,534
Information services	646	2,025
Other contractual services	15,632	14,442
Professional services	11,221	17,522
Community and hospitality	4,345	7,998
Social events	678	1,051
Cultural events	1,249	2,917
Uniforms	717	(170)
Bank interest and charges	158	569
Depreciation	231,582	171,724
Amortisation charge	93	125
Provision for bad debts	-	(4,100)
Bad debt written off	-	4,100
	297,086	248,634

10. Finance costs

	2015 €	2014 €
Interest on bank loan	<u>2,697</u>	<u>3,119</u>

11. Intangible asset

	Computer Software €
At 1 January 2014	
Cost	1,026
Accumulated amortisation	(527)
Net book amount	<u>499</u>
Movements for the year ended 31 December 2014	
Opening net book amount	499
Amortisation charge	(125)
Closing net book amount	<u>374</u>
At 31 December 2014	
Cost	1,026
Accumulated amortisation	(652)
Net book amount	<u>374</u>
Movements for the year ended 31 December 2015	
Opening net book amount	374
Amortisation charge	(93)
Closing net book amount	<u>281</u>
At 31 December 2015	
Cost	1,026
Accumulated amortisation	(745)
Net book amount	<u>281</u>

Amortisation of €93 (2014: €125) is included in administrative expenses.

12a. 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
	€	€	€	€	€	€	€	€	€	€	€
Cost											
As at 1 January 2015	272,535	39,503	40,440	6,415	2,416,190	64,685	34,273	1,246,733	11,644	67,382	4,200,292
Additions	-	-	-	416	12,097	-	-	-	-	691,395	703,908
Transferred to PPE	-	-	-	-	758,777	-	-	-	-	(758,777)	-
As at 31 December 2015	272,535	39,503	40,440	6,831	3,187,064	64,685	34,273	1,246,733	11,644	-	4,904,200
Grants and other reimbursements											
As at 1 January 2015	-	-	-	-	73,020	-	-	256,980	-	-	330,000
Additions	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2015	-	-	-	-	73,020	-	-	256,980	-	-	330,000
Accumulated Depreciation											
As at 1 January 2015	32,004	26,001	36,631	2,681	1,273,417	64,685	31,985	576,414	8,897	-	2,052,715
Charge for the year	2,405	1,013	763	798	184,053	-	665	41,336	549	-	231,582
As at 31 December 2015	34,409	27,014	37,394	3,479	1,457,470	64,685	32,650	617,750	9,446	-	2,284,297
Net Book Value											
As at 31 December 2015	238,126	12,489	3,046	3,352	1,729,594	-	2,115	372,003	2,198	-	2,289,903
As at 31 December 2014	240,531	13,503	3,809	3,734	1,069,753	-	2,779	413,339	2,747	67,382	1,817,577

12b. 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
	€	€	€	€	€	€	€	€	€	€	€
Cost											
As at 1 January 2014	272,535	39,504	38,936	6,415	2,379,839	64,685	34,386	1,246,733	11,644	3,150	4,097,827
Additions	-	-	1,504	-	36,351	-	378	-	-	64,232	102,465
As at 31 December 2014	272,535	39,504	40,440	6,415	2,416,190	64,685	34,765	1,246,733	11,644	67,382	4,200,292
Grants and other reimbursements											
As at 1 January 2014	-	-	-	-	73,020	-	-	256,980	-	-	330,000
Additions	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2014	-	-	-	-	73,020	-	-	256,980	-	-	330,000
Accumulated Depreciation											
As at 1 January 2014	29,574	24,909	35,676	1,747	1,154,607	64,685	31,099	530,484	8,210	-	1,880,991
Charge for the year	2,430	1,092	955	934	118,810	-	886	45,930	687	-	171,724
As at 31 December 2014	32,004	26,001	36,631	2,681	1,273,417	64,685	31,985	576,414	8,897	-	2,052,715
Net Book Value											
As at 31 December 2014	240,531	13,503	3,809	3,734	1,069,753	-	2,779	413,339	2,747	67,382	1,817,577
As at 31 December 2013	242,961	14,595	3,260	4,668	1,152,212	-	3,287	459,269	3,434	3,150	1,886,836

13. Receivables

	2015 €	2014 €
Receivables	8,695	12,912
Prepayments and accrued income	9,251	9,104
Other receivables	1,000	1,000
	<u>18,946</u>	<u>23,016</u>

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.

	2015 €	2014 €
Age of receivables that are past due but not impaired		
60-90 days	2,511	1,490
91-120 days	4,515	7,707
Total	<u>7,026</u>	<u>9,197</u>

	2015 €	2014 €
Movement in the allowance for doubtful debts		
Balance at beginning of the year	-	4,100
Amounts written off during the year as uncollectible	-	(4,100)
Balance at end of the year	<u>-</u>	<u>-</u>

In determining the recoverability of a receivable, the Local Council considers any change in the credit quality of the receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

The impairment loss on receivables is included in administrative expenses in the statement of comprehensive income.

Receivables are stated net of a provision for doubtful debts of €NIL (2014: €NIL).

14. Cash and cash equivalents

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

	2015 €	2014 €
Bank balances:		
Ordinary funds	579,777	386,247
Cash in hand	442	200
	<u>580,219</u>	<u>386,447</u>

15. Borrowings

	2015 €	2014 €
Non-current		
Bank loans	<u>63,633</u>	<u>74,090</u>
	2015 €	2014 €
Current		
Bank loans	<u>10,486</u>	<u>10,142</u>
Total borrowings	<u>74,119</u>	<u>84,232</u>

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

Interest rate exposure:

	2015 €	2014 €
At fixed rates	<u>74,119</u>	<u>84,232</u>

15. Borrowings - continued

Effective interest rates at end of reporting period:

	2015 %	2014 %
Bank loan	<u>3.35</u>	<u>3.65</u>

Maturity of borrowings falling due after more than one year:

	2015 €	2014 €
Between 1 and 2 years	10,843	10,487
Between 2 and 5 years	34,795	33,652
Over 5 years	17,995	29,951
	<u>63,633</u>	<u>74,090</u>

16. Long term deferred income

	2015 €	2014 €
Grants	<u>703,528</u>	<u>364,996</u>

	2015 €	2014 €
Between 1 and 2 years	128,052	102,444
Between 2 and 5 years	149,750	181,807
Over 5 years	425,726	80,745
	<u>703,528</u>	<u>364,996</u>

17. Payables

	2015 €	2014 €
Payables	162,004	152,536
Accruals and deferred income	49,243	63,614
Contractors' deposits	8,843	8,613
Grants - short term deferred income	74,344	35,067
	294,434	259,830

18. Contingent liabilities

At 31 December 2015, guarantees amounting to €1,000 (2014: €1,000) were given by the Local Council to MEPA with regard to capital projects.

At 31 December 2014, the Local Council has an appeal against MEPA for which a fine of €3,059 may be imposed.

19. 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 8 and 10 to these financial statements. The following were the related parties:

Name of Entity	Nature of relationship
Department of Local Councils	Significant Control
Gozo Regional Committee	No Control
Central Regional Committee	No Control
North Regional Committee	Joint Control
South Regional Committee	No Control
South Eastern Regional Committee	No Control
Police General Head Quarters	No Control
Malta Environment and Planning Authority	No Control
Water Services Corporation	No Control
Enemalta Corporation	No Control
Cleaninsing Directorate	No Control
Department of Lands	No Control
Wasteserv Malta Limited	No Control
Bank of Valletta plc	No Control

19. Related party transactions - continued

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

	2015 €	2014 €
(a) Funds received from Local Government	1,047,253	1,025,831

Key management compensation

Transactions with key management personnel are disclosed in note 7.

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.

20. 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.

20. 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 15.

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 2015 and 2014 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.

21. Capital commitments**Capital expenditure**

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

	2015 €	2014 €
Contracted but not provided for	-	653,585
Authorised but not contracted	-	700,652