



Ir-Rabat Local Council

Annual Report and Financial Statements
31 December 2014

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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 Masini Cardona
Executive Secretary

Report of the Local Government Auditor to the Auditor General

Statement of Comprehensive Income

	Notes	2014 €	2013 €
Income			
Funds received from central government	4	1,025,831	1,074,525
Investment Income	5	218	56
General Income	6	19,502	43,623
		<u>1,045,551</u>	<u>1,118,204</u>
Expenditure			
Personal emoluments	7	139,855	141,782
Operations and Maintenance	8	568,468	722,363
Administrative and other Expenditure	9	248,493	297,159
Finance costs	10	3,119	3,309
		<u>959,935</u>	<u>1,164,613</u>
Profit/(loss) for the year		<u>85,616</u>	<u>(46,409)</u>

Statement of Financial Position

	Notes	2014 €	2013 €
ASSETS			
Non-current assets			
Intangible asset	11	374	499
Tangible assets			
Property, plant and equipment	12	1,817,577	1,886,837
Current assets			
Receivables	13	23,383	18,452
Cash and cash equivalents	14	386,447	89,696
		409,830	108,148
Total Assets		2,227,781	1,995,484
Reserves			
Retained Fund		1,519,343	1,433,727
Non-current Liabilities			
Long term borrowings	15	74,090	84,382
Deferred Income	16	364,996	140,548
		439,086	224,930
Current Liabilities			
Payables	17	259,210	327,287
Current portion of long-term borrowings	15	10,142	9,540
		269,352	336,827
Total Liabilities		708,438	561,757
Total Reserves and Liabilities		2,227,781	1,995,484

These financial statements were approved by the Local Council on 17th February 2015 and are signed on its behalf by:


Charles Azzopardi
Mayor


Orietta Masini Cardona
Executive Secretary

Statement of Changes in Equity

	Retained Funds €	Total €
Balance at 1 January 2013	1,480,136	1,480,136
Loss for the year	(46,409)	(46,409)
Balance at 31 December 2013	1,433,727	1,433,727
Balance at 1 January 2014	1,433,727	1,433,727
Profit for the year	85,616	85,616
Balance at 31 December 2014	1,519,343	1,519,343

Statement of Cash Flows

	Note	2014 €	2013 €
Cash flows from operating activities			
Profit/(loss) for the year		85,616	(46,409)
Adjustments for:			
Depreciation		171,724	186,651
Amortisation charge		125	166
Provision for bad debts		(4,100)	4,100
Loss on disposal of asset		-	1,146
Investment income receivable		(218)	(56)
Interest payable		3,119	3,309
Surplus for the period before working capital movements		256,266	148,907
Movement in receivables		(830)	41,083
Movement in payables		(96,703)	(53,860)
		158,733	136,130
Interest paid		(3,119)	(3,309)
Net cash generated from operating activities		155,614	132,821
Cash flows from investing activities			
Investment income receivable		218	56
Payment to acquire property, plant and equipment		(102,465)	(185,730)
Proceeds from disposal of property, plant and equipment		-	7
Net cash used in investing activities		(102,247)	(185,667)
Cash flows from financing activities			
Grants		253,074	(7,325)
Payments of long-term and short – term borrowings		(9,690)	(9,159)
Net cash generated from financing activities		243,384	(16,484)
Movement in cash and cash equivalents		296,751	(69,330)
Cash and cash equivalents at the beginning of the year		89,696	159,026
Cash and cash equivalents at the end of the year	14	386,447	89,696

Notes to the Financial Statements
For the year ended 31 December 2014**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**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.

The preparation of financial statements is in conformity with IFRSs as adopted by the EU requires the use of certain critical accounting estimates. It also requires the Local Council to exercise its judgement in the process of applying the company's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

New standards, interpretations and amendments to published standards effective from 1 January 2014

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 2014. The nature and effect of the new standards, interpretations and amendments adopted by the Local Council are detailed below.

IFRS 1 – First-time Adoption of International Financial Reporting Standards

The Local Council adopted the amendment to IFRS 1 – First-time Adoption of International Financial Reporting Standards whereby it has an option to use either the IFRSs that are mandatory at the reporting date or one or more IFRSs that are not yet mandatory, if those IFRSs permit early application.

IFRS 13 – Fair Value Measurement

The Local Council adopted the amendment which clarifies that short-term receivables and payables with no stated interest rate can still be measured at the invoice amount without discounting, if the effect of discounting is immaterial. IFRS 13.52 defines the scope of the portfolio exception whereby an entity is permitted to measure the fair value of a group of financial assets and financial liabilities on a net basis.

2. Accounting policies - continued**a. Basis of preparation - continued***IAS 16 Property, plant and equipment*

The Local Council adopted the amendment to IAS 16, Property, plant and equipment which clarifies the computation of accumulated depreciation when items of property, plant and equipment are subsequently measured using the revaluation model. The net carrying amount of the asset is adjusted to the revalued amount, and either:

- the gross carrying amount is adjusted in a manner consistent with the net carrying amount, or
- accumulated depreciation is eliminated against the gross carrying amount.

IAS 24 – Related Party Disclosures

The Local Council adopted the amendment since it clarifies that an entity that provides key management personnel services to a reporting entity is a related party of the reporting entity. To this effect, it is required to disclose separately amounts recognized as an expense for key management personnel services provided by a separate management entity.

IAS 37 – Intangible assets

The company adopted the amendment that clarifies the computation of accumulated amortization when intangible assets are subsequently measured using the revaluation model. The net carrying amount of the asset is adjusted to the revalued amount, and either the gross carrying amount is adjusted in a manner consistent with the net carrying amount or accumulated amortization is eliminated against the gross carrying amount.

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 2014. The Local Council has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the 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.

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. The Local Council is considering the implications of the standard and its impact on the company's financial results and position.

2. Accounting policies - continued**a. Basis of preparation - continued***Compliance with IFRSs as adopted by the European Union*

Regulation 3 of Legal Notice 19 of 2009, *Accountancy Profession (Accounting and Auditing Standards) Regulations 2009*, published in terms of the Accountancy Profession Act, defines compliance with generally accepted accounting principles and practice as adherence to international accounting standards as adopted by the European Union. This legal notice has come into effect on 1 October 2008.

These financial statements have been drawn up in accordance with IFRSs as adopted by the European Union. The change from IFRSs issued by the International Accounting Standards Board to IFRSs as adopted by the European Union did not result in any changes to the Local Council's accounting policies.

All references in these financial statements to IAS, IFRS and/or SIC/IFRIC interpretations refer to those adopted by the European Union.

b. 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.

c. Functional and presentation currency

The Local Council's financial statements are presented in Euro, which is the Local Council's functional currency.

d. 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.

e. 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.

2. Accounting policies - continued**f. 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 h).

g. 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.

h. 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.

2. Accounting policies - continued**i. 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.

j. 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.

k. 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.

l. 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.

m. 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.

n. 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.

2. Accounting policies - continued**n. 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.

o. 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.

p. 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.

q. 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'.

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

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. Use of Judgements and Estimates

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'.

4. Funds Received from Central Government

	2014 €	2013 €
In terms of Section 55 of the Local Councils Act (Cap 363)	959,183	959,941
Other Government Income	66,648	114,584
	<u>1,025,831</u>	<u>1,074,525</u>

5. Investment income

	2014 €	2013 €
Bank interest receivable	<u>218</u>	<u>56</u>

6. General Income

	2014 €	2013 €
Income from tender documents	450	5,555
Common Agricultural Policy – EU Funds	-	10,999
Income from permits	6,793	6,242
Income raised under Local Enforcement System	7,940	9,143
Contributions and donations	4,319	11,684
	19,502	43,623

7. Personal Emoluments

	2014 €	2013 €
Mayor's allowance	11,902	11,655
Executive Secretary and allowances	35,014	32,207
Employees' salaries	76,545	81,274
Social Security Contributions	8,714	9,166
Councillors' remuneration	7,680	7,480
	139,855	141,782

8. Operations and Maintenance

	2014 €	2013 €
Repairs and Upkeep:		
Road and street pavements (Patching works)	147,662	262,875
Repair plant and equipment	25,991	45,793
Sundry repairs	2,831	162
	176,484	308,830

8. Operations and Maintenance - continued

	2014 €	2013 €
Contractual Services:		
Refuse collection (including bins on wheels)	139,921	118,838
Waste disposal	58,491	76,945
Bulky refuse collection (including open skips)	13,929	12,717
Road and street cleaning (mechanical and manual)	53,749	67,262
Other contractual services	44,617	51,560
Cleaning and Maintenance of Non-Urban Roads	46,402	41,008
Cleaning and Maintenance of Public Conveniences	9,818	11,497
Cleaning and Maintenance of Parks and Gardens	25,057	33,706
	391,984	413,533
	568,468	722,363

9. Administrative and other expenditure

	2014 €	2013 €
Utilities	10,400	13,126
Other repairs and upkeeps	2,578	2,764
Rent	1,990	2,447
Library	-	43
National & International membership	774	1,128
Office services	7,155	7,997
Travel	-	826
Transport	7,534	3,456
Information services	2,025	5,134
Other contractual services	14,442	7,581
Professional services	17,522	27,131
Community and hospitality	7,998	7,077
Social events	1,051	4,805
Cultural events	2,917	7,342
EU Cap Expenses	-	10,000
Uniforms	(170)	3,936
Bank interest and charges	428	303
Depreciation	171,724	186,651
Amortisation charge	125	166
Provision for bad debts	(4,100)	4,100
Bad debt written off	4,100	-
Loss on disposal of asset	-	1,146
	248,493	297,159

10. Finance costs

	2014 €	2013 €
Interest on bank loan	<u>3,119</u>	<u>3,309</u>

11. Intangible asset

	Computer Software €
At 1 January 2013	
Cost	1,026
Accumulated amortisation	(361)
Net book amount	<u>665</u>
Movements for the year ended 31 December 2013	
Opening net book amount	665
Additions	-
Amortisation charge	(166)
Closing net book amount	<u>499</u>
At 31 December 2013	
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>

Amortisation of €125 (2013: €166) 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 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

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 2013	272,535	39,938	39,154	1,628	2,239,908	64,685	34,273	1,210,321	11,644	-	3,914,086
Additions	-	1,337	-	4,787	139,931	-	113	36,412	-	3,150	185,730
Disposal/Transferred to PPE		(1,771)	(218)	-	-	-	-	-	-	-	(1,989)
As at 31 December 2013	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
Grants and other reimbursements											
As at 1 January 2013	-	-	-	-	73,020	-	-	256,980	-	-	330,000
Additions	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2013	-	-	-	-	73,020	-	-	256,980	-	-	330,000
Accumulated Depreciation											
As at 1 January 2013	27,120	24,328	35,026	580	1,026,583	64,685	30,052	479,451	7,351	-	1,695,176
Charge for the year	2,454	1,243	824	1,167	128,024	-	1,047	51,033	859	-	186,651
Release on depreciation	-	(662)	(174)	-	-	-	-	-	-	-	(836)
As at 31 December 2013	29,574	24,909	35,676	1,747	1,154,607	64,685	31,099	530,484	8,210	-	1,880,991
Net Book Value											
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
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

13. Receivables

	2014 €	2013 €
Receivables	12,433	9,295
Prepayments and accrued income	9,950	8,157
Other receivables	1,000	1,000
	23,383	18,452
Receivables are stated net of impairment charges as follows:		
Receivables	12,433	9,295

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables. As at 31 December 2014, trade receivables of €12,433 (2013: €9,295) were past due but not impaired.

Receivables are stated net of a provision for doubtful debts of €NIL (2013: €4,100).

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:

	2014 €	2013 €
Bank balances:		
Ordinary funds	386,247	89,496
Cash in hand	200	200
	386,447	89,696

Cash and cash equivalents amounting to €386,247 include €223,078 which are not part of the Council generated funds but only cash advanced for the EU project Measure 313 – Encouragement of Tourism Activities. This fund is administered by the Managing Authority and the Council cannot dispose of this income for its ordinary expenditure.

15. Borrowings

	2014 €	2013 €
Non-current		
Bank loans	74,090	84,382
Current		
Bank loans	10,142	9,540
Total borrowings	84,232	93,922

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

Interest rate exposure:

	2014 €	2013 €
At fixed rates	84,232	93,922

Effective interest rates at end of reporting period:

	2014 %	2013 %
Bank loan	3.65	3.65

Maturity of borrowings falling due after more than one year:

	2014 €	2013 €
Between 1 and 2 years	10,487	9,888
Between 2 and 5 years	33,652	31,922
Over 5 years	29,951	42,572
	74,090	84,382

16. Long term deferred income

	2014 €	2013 €
Grants	<u>364,996</u>	<u>140,548</u>
	2014 €	2013 €
Between 1 and 2 years	102,444	22,578
Between 2 and 5 years	181,807	48,195
Over 5 years	80,745	69,775
	<u>364,996</u>	<u>140,548</u>

17. Payables

	2014 €	2013 €
Payables	152,057	266,041
Accruals and deferred income	63,473	46,892
Contractors' deposits	8,613	7,913
Grants	35,067	6,441
	<u>259,210</u>	<u>327,287</u>

18. Contingent liabilities

At 31 December 2014, guarantees amounting to €1,000 (2013: €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
Cleanising Directorate	No Control
Department of Lands	No Control
Wasteserv Malta Limited	No Control
Bank of Valletta plc	No Control

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

	2014	2013
	€	€
(a) Funds received from Local Government	1,025,831	1,073,644

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.

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.

20. Financial risk management - continued**Fair values**

At 31 December 2014 and 2013 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:

	2014 €	2013 €
Contracted but not provided for	653,585	510,361
Authorised but not contracted	700,652	700,652

The capital expenditure - contracted but not provided for - amounting to €653,585 is to be done over a period of one year according to the contract already awarded by the Local Council.