



Ir-Rabat Local Council

Annual Report and Financial Statements
31 December 2017

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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 Profit or Loss and Other Comprehensive Income


	Notes	2017 €	2016 €
Income			
Funds received from central government	3	1,118,649	1,104,602
Income raised under Local Enforcement System	5	8,392	9,011
General Income	6	40,772	29,408
Income from Bye Law	7	4,278	4,484
		<u>1,172,091</u>	<u>1,147,505</u>
Expenditure			
Personal emoluments	8	150,999	147,124
Operations and Maintenance	9	350,847	345,146
Administrative and other Expenditure	10	275,659	271,791
		<u>777,505</u>	<u>764,061</u>
Operating profit for the year		<u>394,586</u>	<u>383,444</u>
Investment Income	4	20	16
Finance costs	11	(1,851)	(2,363)
Profit for the year		<u>392,755</u>	<u>381,097</u>
Total comprehensive income for the year		<u>392,755</u>	<u>381,097</u>

The notes on pages 9 to 31 form an integral part of these financial statements

Statement of Financial Position

	Notes	2017 €	2016 €
ASSETS			
Non-current assets			
Intangible asset	12	1,258	646
Tangible assets			
Property, plant and equipment	13	1,921,958	2,089,865
Current assets			
Receivables	14	20,246	20,299
Cash and cash equivalents	15	1,410,156	1,021,219
		1,430,402	1,041,518
Total Assets		3,353,618	3,132,029
Reserves			
Retained Fund		2,595,506	2,202,751
Non-current Liabilities			
Long term borrowings	16	-	52,831
Deferred Income	17	591,291	641,569
		591,291	694,400
Current Liabilities			
Payables	18	166,821	224,036
Current portion of long-term borrowings	16	-	10,842
		166,821	234,878
Total Liabilities		758,112	929,278
Total Reserves and Liabilities		3,353,618	3,132,029

These financial statements were approved by the Local Council on the 16th February 2018 and are signed on its behalf by:



Charles Azzopardi
Mayor



Orietta Cardona
Executive Secretary

The notes on pages 9 to 31 form an integral part of these financial statements

Statement of Changes in Equity

	Retained Earnings €	Total €
Balance at 1 January 2016	1,821,654	1,821,654
Total comprehensive income for the year	381,097	381,097
Balance at 31 December 2016	2,202,751	2,202,751
Balance at 1 January 2017	2,202,751	2,202,751
Total comprehensive income for the year	392,755	392,755
Balance at 31 December 2017	2,595,506	2,595,506

The notes on pages 9 to 31 form an integral part of these financial statements

Statement of Cash Flows

	Notes	2017 €	2016 €
Cash flows from operating activities			
Profit for the year		392,755	381,097
Adjustments for:			
Depreciation	13a	190,141	211,758
Amortisation charge	12	420	215
Provision for bad debts		(1,597)	(2,111)
Investment income receivable		(20)	(16)
Interest payable		1,851	2,363
		<hr/>	<hr/>
Surplus for the period before working capital movements		583,550	593,306
Decrease in receivables		1,650	2,504
Decrease in payables		(50,252)	(64,504)
		<hr/>	<hr/>
		534,948	531,306
Interest paid		(1,851)	(2,363)
		<hr/>	<hr/>
Net cash generated from operating activities		533,097	528,943
		<hr/>	<hr/>
Cash flows used in investing activities			
Investment income receivable		20	16
Payment to acquire property, plant and equipment	13a	(22,234)	(7,452)
Payment to acquire intangible asset	12	(1,032)	(580)
		<hr/>	<hr/>
Net cash used in investing activities		(23,246)	(8,016)
		<hr/>	<hr/>
Cash flows (used in)/from financing activities			
Grants		(57,241)	(69,481)
Payments of short – term borrowings		(63,673)	(10,446)
		<hr/>	<hr/>
Net cash (used in)/from financing activities		(122,765)	(79,927)
		<hr/>	<hr/>
Movement in cash and cash equivalents		388,937	441,000
Cash and cash equivalents at the beginning of the year		1,021,219	580,219
Cash and cash equivalents at the end of the year	15	1,410,156	1,021,219

Statement of Cash Flows - continued

Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Net debt	2017	2016
	€	€
Cash and cash equivalents	1,410,156	1,021,219
Borrowings – repayable within one year (including overdraft)	-	(10,842)
Borrowings – repayable after one year	-	(52,831)
Net debt	1,410,156	957,546

	Cash	Liabilities from financing activities		Total
	€	Borrow due within 1 year	Borrow due After 1 year	€
	€	€	€	€
Net debt as at 1 January 2016	580,219	(10,486)	(63,633)	506,100
Cash flows	441,000	(356)	10,802	451,446
Net debt as at 31 December 2016	1,021,219	(10,842)	(52,831)	957,546
Cash flows	388,937	10,842	52,831	452,610
Net debt as at 31 December 2017	1,410,156	-	-	1,410,156

Notes to the Financial Statements
For the year ended 31 December 2017**1. Statutory Information**

Ir-Rabat Local Council is the local authority of Ir-Rabat setup in accordance with the Local Councils Act. The Office of the Local Council is situated at 8, Triq l-Isptar, Ir-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. Application of new and revised international Financial Reporting Standards (IFRSs)****Amendments to IAS 7 Disclosure Initiative**

The Council has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and noncash changes.

The Council's liabilities arising from financing activities consist of borrowings (note 16) and certain other financial liabilities (note 18). A reconciliation between the opening and closing balances of these items is provided in Statement of Cash Flows. Consistent with the transition provisions of the amendments the Council has not disclosed comparative information for the prior period. Apart from the additional disclosure in Statement of Cash Flows, the application of these amendments has had no impact on the Council's financial statements.

d. New and revised IFRSs in issue but not yet effective

The Council has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted:

Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle
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Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted:

IFRS 16	Leases
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IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. on balance sheet) except for short-term leases and leases of low value assets.

2. Accounting policies - continued**d. New and revised IFRSs in issue but not yet effective – continued****IFRS 16 Leases - continued**

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 15 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS '16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2017, the Council has non-cancellable operating lease commitments, IAS 17 does not require the recognition of any right of use asset or liability for future payments for these leases, instead, certain information is disclosed as operating lease commitments. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Council will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16.

In contrast, for finance leases where the Council is a lessee, as the Council has already recognised an asset and a related finance lease liability for the lease arrangement, and in cases where the Council is a lessor (for both operating and finance leases), the members of the Council do not anticipate that the application of IFRS 16 will have a significant impact on the amounts recognised in the Council's financial statements.

Annual Improvements to IFRSs 2014 -2016 Cycle

The Annual Improvements induce amendments to IFRS 1 and IAS 28 which are not yet mandatorily effective for the Council.

e. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Ir-Rabat Local Council and the revenue can be reliably measured, regardless of when the payment is received.

2. Accounting policies - continued**e. Revenue recognition - continued**

Revenue is recognised upon transfer of funds from the Central Government when there are no significant uncertainties concerning the derivation of consideration or associated costs.

Interest income is recognised in the income statement as it accrued under finance income.

f. Functional and presentation currency

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

g. Local Enforcement System

The amount disclosed in the financial statements under Local Enforcement Income represents the administrative charges to Regional Committees.

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)).

2. Accounting policies - continued**j. Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated on a monthly basis using the 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%
• Litter Bins	Replacement Basis
• Traffic and Road Signs	Replacement Basis
• Street Lights	100%

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

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)).

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.

2. Accounting policies - continued**l. Amounts receivable - continued**

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.

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.

q. Operating leases

Where the company is a lessee

Leases of assets where a significant portion of the risk and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2. Accounting policies - continued**r. 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.

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.

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.

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

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

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

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

v. Financial liabilities

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

All interest-related charges are included within finance costs.

3. Funds Received from Central Government

	2017 €	2016 €
In terms of Section 55 of the Local Councils Act (Cap 363)	1,041,473	1,023,044
Other Government Income	68,241	75,957
Other supplementary income	8,935	5,601
	<u>1,118,649</u>	<u>1,104,602</u>

4. Investment income

	2017 €	2016 €
Bank interest receivable	<u>20</u>	<u>16</u>

5. Local Enforcement System

	2017 €	2016 €
Administrative charges to Regional Committees	8,392	9,011

6. General Income

	2017 €	2016 €
Income from tender documents	-	40
Income from permits	32,722	26,786
Contributions and donations	8,050	2,582
	40,772	29,408

7. Income from bye law

	2017 €	2016 €
Income from bye law	4,278	4,484

8. Personal Emoluments

	2017 €	2016 €
Mayor's allowance	11,018	10,843
Executive Secretary and allowances	35,614	34,597
Employees' salaries	84,005	82,172
Social Security Contributions	9,805	9,512
Councillors' remuneration	10,557	10,000
	150,999	147,124

8. Personal Emoluments - continued**Average number of people employed**

Employees	6	6
Mayor and Councillors	9	9

9. Operations and Maintenance

	2017 €	2016 €
Repairs and Upkeep:		
Road and street pavements (Patching works)	53,990	41,814
Repair plant and equipment	28,055	16,495
Sundry repairs	750	2,518
	82,795	60,827

	2017 €	2016 €
Contractual Services:		
Refuse collection (including bins on wheels)	82,938	84,342
Waste disposal	68,034	60,373
Bulky refuse collection (including open skips)	7,066	5,092
Road and street cleaning (mechanical and manual)	45,455	53,522
Other contractual services	19,669	26,804
Cleaning and Maintenance of Non-Urban Roads	13,330	14,049
Cleaning and Maintenance of Public Conveniences	5,886	10,669
Cleaning and Maintenance of Parks and Gardens	25,674	29,468
	268,052	284,319
	350,847	345,146

10. Administrative and other expenditure

	2017 €	2016 €
Utilities	9,832	7,337
Other repairs and upkeeps	4,528	3,657
Rent	2,138	2,245
Library	51	484
National & International membership	690	275
Office services	7,239	10,023
Transport	4,126	1,964
Information services	2,084	437
Other contractual services	22,230	12,956
Professional services	23,156	15,203
Community and hospitality	1,811	4,501
Social events	3,405	3,045
Cultural events	3,482	2,100
Uniforms	634	62
Bank interest and charges	218	166
Depreciation	190,141	209,232
Amortisation charge	420	215
Provision for bad debts	(1,597)	(2,111)
Bad debt written off	871	-
Penalties	200	-
	<u>275,659</u>	<u>271,791</u>

11. Finance costs

	2017 €	2016 €
Interest on bank loan	<u>1,851</u>	<u>2,363</u>

12. Intangible asset

	Computer Software €
At 1 January 2016	
Cost	1,026
Accumulated amortisation	(745)
Net book amount	281
Movements for the year ended 31 December 2016	
Opening net book amount	281
Additions	580
Amortisation charge	(215)
Closing net book amount	646
At 31 December 2016	
Cost	1,606
Accumulated amortisation	(960)
Net book amount	646
Movements for the year ended 31 December 2017	
Opening net book amount	646
Additions	1,032
Amortisation charge	(420)
Closing net book amount	1,258
At 31 December 2017	
Cost	2,638
Accumulated amortisation	(1,380)
Net book amount	1,258

Amortisation of €420 (2016: €215) 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/ lights	Computer Equipment	Special Programmes	Motor Vehicles	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
As at 1 January 2017	272,535	41,273	40,657	6,911	3,194,288	65,985	35,176	1,247,785	11,644	4,916,254
Additions	4,881	3,227	-	-	14,126	-	-	-	-	22,234
As at 31 December 2017	277,416	44,500	40,657	6,911	3,208,414	65,985	35,176	1,247,785	11,644	4,938,488
Grants and other disbursements										
As at 1 January 2016	-	-	-	-	73,020	-	-	256,980	-	330,000
Additions	-	-	-	-	-	-	-	-	-	-
As at 31 December 2017	-	-	-	-	73,020	-	-	256,980	-	330,000
Accumulated Depreciation										
As at 1 January 2016	36,790	28,085	38,047	4,165	1,624,172	65,985	33,281	655,978	9,886	2,496,389
Charge for the year	2,408	1,231	522	549	151,123	-	474	33,483	351	190,141
As at 31 December 2017	39,198	29,316	38,569	4,714	1,775,295	65,985	33,755	689,461	10,237	2,686,530
Net Book Value										
As at 31 December 2017	238,218	15,184	2,088	2,197	1,360,099	-	1,421	301,344	1,407	1,921,958
As at 31 December 2016	235,745	13,188	2,610	2,746	1,497,096	-	1,895	334,827	1,758	2,089,865

13b. Property, plant and equipment

Asset	Property	Office furniture and fittings	Office Equipment	Plant and Machinery	Urban improvements	New street signs/ lights	Computer Equipment	Special Programmes	Motor Vehicles	Assets not yet capitalized	Total
	€	€	€	€	€	€	€	€	€	€	€
Cost											
As at 1 January 2016	272,535	39,503	40,440	6,831	3,191,666	64,685	34,765	1,246,733	11,644	-	4,908,802
Additions	-	1,768	208	80	2,689	677	1,559	-	-	-	6,981
Transferred to PPE	-	2	9	-	(67)	623	(1,148)	1,052	-	-	471
As at 31 December 2016	272,535	41,273	40,657	6,911	3,194,288	65,985	35,176	1,247,785	11,644	-	4,916,254
Grants and other disbursements											
As at 1 January 2016	-	-	-	-	73,020	-	-	256,980	-	-	330,000
Additions	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2016	-	-	-	-	73,020	-	-	256,980	-	-	330,000
Accumulated Depreciation											
As at 1 January 2016	34,409	27,014	37,394	3,479	1,457,804	64,685	32,650	617,750	9,446	-	2,284,631
Charge for the year	2,381	1,069	653	686	165,490	677	633	37,203	440	-	209,232
Reclassifications	-	2	-	-	878	623	(2)	1,025	-	-	2,526
As at 31 December 2016	36,790	28,085	38,047	4,165	1,624,172	65,985	33,281	655,978	9,886	-	2,496,389
Net Book Value											
As at 31 December 2016	235,745	13,188	2,610	2,746	1,497,096	-	1,895	334,827	1,758	-	2,089,865
As at 31 December 2015	238,126	12,489	3,046	3,352	1,660,842	-	2,115	372,003	2,198	-	2,294,171

14. Receivables

	2017 €	2016 €
Receivables	9,480	6,956
Accrued income	8,517	3,257
	<u>17,997</u>	<u>10,213</u>
Financial assets		
Prepayments	1,249	8,965
Other receivables	1,000	1,121
	<u>20,246</u>	<u>20,299</u>

The total financial assets for the year amounted to €20,246 (2016:€20,299).

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.

	2017 €	2016 €
Age of receivables that are past due but not impaired		
60-90 days	1,520	59
91-120 days	721	796
More than 120 days	6,712	5,319
Total	<u>8,953</u>	<u>6,174</u>

	2017 €	2016 €
Movement in the allowance for doubtful debts		
Balance at beginning of the year	223,808	225,920
Increase in provision for LES debtors	(762)	-
Bad debts	(835)	-
Amounts collected during the year	-	(2,112)
Balance at end of the year	<u>222,211</u>	<u>223,808</u>

14. Receivables - continued

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 €222,211 (2016: €223,808).

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:

	2017 €	2016 €
Term deposit 1 year	500,000	-
Bank balances:		
Ordinary funds	909,558	1,020,814
Cash in hand	598	405
	<u>1,410,156</u>	<u>1,021,219</u>

16. Borrowings

	2017 €	2016 €
Non-current		
Bank loans	-	52,831
	<u>-</u>	<u>52,831</u>
Current		
Bank loans	-	10,842
	<u>-</u>	<u>10,842</u>
Total borrowings	<u>-</u>	<u>63,673</u>

16. Borrowings - continued

Interest rate exposure:

	2017 €	2016 €
At fixed rates	-	63,673

Effective interest rates at end of reporting period:

	2017 %	2016 %
Bank loan	-	3.35

Maturity of borrowings falling due after more than one year:

	2017 €	2016 €
Between 1 and 2 years	-	11,211
Between 2 and 5 years	-	35,973
Over 5 years	-	5,647
	-	52,831

17. Long term deferred income

	2017 €	2016 €
Government Grants		
At 1 January	709,344	778,825
Increase in year	10,000	4,863
	719,344	783,688
Released in year	(67,241)	(74,344)
At 31 December	652,103	709,344
Current Deferred Income	60,812	67,775
Grants	591,291	641,569

17. Long term deferred income - continued

	2017 €	2016 €
Between 1 and 2 years	55,006	61,292
Between 2 and 5 years	135,440	150,934
Over 5 years	400,845	429,343
	<u>591,291</u>	<u>641,569</u>

18. Payables

	2017 €	2016 €
Payables	70,742	107,965
Accruals	26,888	37,331
Contractors' deposits	8,379	8,843
	<u>106,009</u>	<u>154,139</u>
Financial liabilities		
Deferred income Government Grants	60,812	67,775
Other deferred income	-	1,190
Amounts due by the Council	-	932
	<u>166,821</u>	<u>224,036</u>

The total financial liabilities for the year amounted to €166,821 (2016: €224,036)

19. Contingent liabilities

At 31 December 2017, guarantees amounting to €1,000 (2015: €1,000) were given by the Local Council to MEPA with regard to capital projects.

At 31 December 2017, the Local Council has an appeal against MEPA for which a fine of €3,059 may be imposed.

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 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
Local Enforcement Systems Agency	No Control
ARMS Ltd	No Control
Commissioner of Data Protection	No Control
Department of Information	No Control
Ministry of Finance	No Control
Police General Head Quarters	No Control
Malta Environment and Planning Authority	No Control
Water Services Corporation	No Control
Enemalta Corporation	No Control
Cleanising Directorate	No Control
Department of Lands	No Control
Wasteserv Malta Limited	No Control
Bank of Valletta plc	No Control
Department of Lands	No Control
Local Councils' Association	No Control
Central Bank of Malta	No Control
Department of Inland Revenue	No Control
Ministry for Justice, Culture and Local Government	No Control

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

	2017	2016
	€	€
(a) Funds received from Local Government	1,051,473	1,023,044

Key management compensation

Transactions with key management personnel are disclosed in note 8.

Ultimate controlling party

The ultimate controlling party of the local council is Central Government since the Council's main revenue is from the Government allocation received every quarter. Apart from the normal funds received from Government, the Council also receives funds relating to specific projects as well as other funds for the improvement of the locality.

21. Financial risk management

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

Credit risk

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

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

	2017 €	2016 €
Classes of financial assets – carrying amounts		
Trace and other receivables	17,997	10,213
Cash and cash equivalents	1,410,156	1,021,219
	<u>1,428,153</u>	<u>1,031,432</u>

Liquidity risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact, at year end, the Council has as cash in bank and in hand the amount of €1,410,156. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net asset position of €2,595,506 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

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

At 31 December 2017 the council's financial liabilities have contractual maturities which are summarised below:

At 31 December 2017

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	37,063	29,061	4,619
Other creditors	-	-	-
Accruals	26,885	-	-

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

At 31 December 2016

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	74,450	30,821	2,694
Other creditors	-	-	-
Accruals	37,331	-	-

Foreign currency risk

Foreign currency transaction arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Council does not trade in any foreign currencies.

Interest rate risk

Interest rate risk mainly arises through interest bearing liabilities and assets. The objectives of interest rate risk management is to optimise the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense.

22. Summary of financial assets and liabilities

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

	2017 €	2016 €
Current assets		
Loans and receivables:		
Trade and other receivables	9,480	8,761
Cash and cash equivalents	1,410,156	1,021,219
	<u>1,419,636</u>	<u>1,029,980</u>
Non-current liabilities		
Financial liabilities measured at amortised costs:		
Bank loan	-	52,831
Current liabilities		
Financial liabilities measured at amortised costs:		
Bank loan	-	10,842
Payables	70,742	107,962
Accruals	26,885	37,331

23. Fair values estimation

The nominal values less estimated credit adjustments of receivables and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair values.

24. Capital commitments**Capital expenditure**

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

	2017 €	2016 €
Contracted but not provided for	-	-
Authorised but not contracted	416,911	300,618

25. Event after the end of reporting period

The Department of Local Government is instructing Local Councils under Directive Number 1/2017 that when accounting for Government Grants, the Councils has to adopt the Capital Approach and not the Income Approach as from 1st January 2018. This is a change in accounting policy and in accordance to IAS 8 '*Accounting policies, Changes in Accounting Estimates and Errors*' this will not affect the final figure on the Statement of Comprehensive Income but it will only affect the Statement of Financial Position.