

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

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

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's comprehensive income for the year, and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Council (Financial) Regulations, and the Local Council (Financial) Procedures issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Council (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on 27 April 2017 and signed on its behalf by:



Anthony Chircop
Mayor



Matthew Dimech
Executive Secretary

Statement of Comprehensive Income
for the year ended 31 December 2016

	Notes	2016 €	2015 €
Revenue			
Funds received from Central Government	3	1,082,053	1,063,068
Income raised under Local Council Bye-Laws	4	43,863	11,002
Income raised under Local Enforcement System	5	16,322	22,701
General Income	6	197,181	153,681
		<u>1,339,419</u>	<u>1,250,452</u>
Expenditure			
Personal Emoluments	7	(190,489)	(173,856)
Operations and maintenance	8	(694,953)	(737,547)
Administration and other expenditure	9	(417,862)	(479,753)
		<u>(1,303,304)</u>	<u>(1,391,156)</u>
Operating profit / (loss) for the year		36,115	(140,704)
Finance income	10	275	1,542
		<u>36,390</u>	<u>(139,162)</u>
Profit / (Loss) for the year	7	<u>36,390</u>	<u>(139,162)</u>

The notes on pages 6 to 25 form an integral part of these financial statements.

Statement of Financial Position
as at 31 December 2016

	Notes	2016 €	2015 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	1,670,047	1,757,783
Intangible assets	11	1,610	2,164
		<u>1,671,657</u>	<u>1,759,947</u>
Current Assets			
Inventories	13	1,784	1,784
Receivables	14	239,762	281,829
Cash and cash equivalents	15	765,927	630,039
		<u>1,007,473</u>	<u>913,652</u>
Total Assets		<u><u>2,679,130</u></u>	<u><u>2,673,599</u></u>
EQUITY			
Reserves			
Retained earnings		1,550,732	1,514,342
Total equity		<u><u>1,550,732</u></u>	<u><u>1,514,342</u></u>
Non-Current Liabilities			
Deferred income	17	562,853	545,899
		<u>562,853</u>	<u>545,899</u>
Current Liabilities			
Payables	16	565,545	613,358
		<u>565,545</u>	<u>613,358</u>
Total Liabilities		<u><u>1,128,398</u></u>	<u><u>1,159,257</u></u>
Total equity and liabilities		<u><u>2,679,130</u></u>	<u><u>2,673,599</u></u>

These financial statements were approved by the Local Council on 27 April 2017 and signed on its behalf by:


Anthony Chircop
Mayor


Matthew Dimech
Executive Secretary

The notes on pages 6 to 25 form an integral part of these financial statements.

**Statement of Changes in Equity
for the year ended 31 December 2016**

	Retained Funds	Total
	€	€
At 1 January 2015	1,653,504	1,653,504
Loss for the year	(139,162)	(139,162)
At 31 December 2015	<u>1,514,342</u>	<u>1,514,342</u>
At 1 January 2016	1,514,342	1,514,342
Profit for the year	36,390	36,390
At 31 December 2016	<u><u>1,550,732</u></u>	<u><u>1,550,732</u></u>

The notes on pages 6 to 25 form an integral part of these financial statements.

Statement of Cash Flows
for the year ended 31 December 2016

	2016	2015
	€	€
Net loss for the year	36,390	(139,162)
Reconciliation to cash generated from operations:		
Depreciation	134,038	199,038
Movement in provision for doubtful debtors	39,363	19,512
Bad debts written off	2,675	-
Impairment and asset disposal losses	608	-
Loss on assets under construction written-off	3,158	-
Investment income	(275)	(1,542)
Government grant released	(28,326)	(36,814)
Operating (loss)/profit before working capital changes	187,631	41,032
Decrease in inventories	-	20
(Decrease) in receivables	(2,993)	(4,474)
Increase in other receivables	3,022	18,548
(Decrease) / Increase in payables	(38,484)	13,330
(Decrease) in other payables	(23,260)	(23,740)
Cash generated from operating activities	125,916	44,716
Cash flow from investing activities		
Interest received	275	1,433
Purchase of intangible fixed assets	-	(243)
Purchase of property, plant & equipment	(32,633)	(88,244)
Receipt of grants	42,330	153,196
Cash generated from investing activities	9,972	66,142
Net Increase in cash in the year	135,888	110,858
Cash and equivalents at beginning of year	630,039	519,181
Cash and equivalents at end of year	765,927	630,039

The notes on pages 6 to 25 form an integral part of these financial statements.

1. General Information

The Sliema Local Council is the local authority of Malta set up in accordance with the Local Councils Act(1993). The office of the Local Council is situated at Government School, Depiro Street, Sliema. These financial statements were approved for issue by the Council Members on 27 April 2017. The Local Council's presentation as well as functional currency are denominated in €.

2. Accounting Policies and Reporting Procedures

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

Accounting convention

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

These financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap. 363).

New and amended standards adopted by the Local Council

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

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

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

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

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

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

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

Intangible Fixed Assets

Computer Software

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

Property, plant and equipment

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

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

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

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

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

Impairment of Assets

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

Leases

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

Inventories

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

Amounts receivable

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

Related parties

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

During the year under review the Local Council has opted to early adopt the partial exemptions as provided by IAS 24, effective from periods starting 1 January 2011. The paragraphs adopted from IAS 24 are paragraphs 25 - 27, being amendments to government related entities' disclosures.

Revenue

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

Local Enforcement System

The Sliema Local Council used to form part of the Lvant Joint Committee up to 31 August 2011. 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.

As from 1 September 2011, the Central Regional Committee has taken over the Local Enforcement System function and the Council receives 10% administrative reimbursements on fines collected. Subsequently, as from 1st October 2015, the Local Enforcement System Authority is now responsible for the overall management and control of the Local Enforcement System.

Government grants

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

Directive issued in 2017 by the Department of Local Councils, instructs the Council to adopt the alternative capital approach available in IAS20m as from 1st January 2018.

Profits and losses

Only profits that were realised at the date of the Statement of Financial Position are recognised in these financial statements. All foreseeable liabilities and potential losses arising up to the said date are accounted for even if they become apparent between the said date and the date on which the financial statements are approved.

Cash and equivalents

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

Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and based on historical 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 IAS1 (revised) - 'Presentation of Financial Statements'.

Capital Management

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objectives are to ensure:

- that the Council's ability to continue as a going concern is still valid and
- that the Council maintains a positive working capital ratio.

To achieve the above, the Council carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was positive at the reporting date and has not changed significantly from the previous year. The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

Financial Instruments

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

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

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

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

Financial assets

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

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

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

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

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

Financial liabilities

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

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

3. Funds received from central government

	2016 €	2015 €
In terms of section 55 of the Local Councils Act	1,013,361	983,317
Supplementary Government Income	40,366	42,937
Other Government Income	28,326	36,814
	<u>1,082,053</u>	<u>1,063,068</u>

4. Income raised from Bye-Laws

	2016 €	2015 €
Bye-Laws - Advertising on Street Furniture	<u>43,863</u>	<u>11,002</u>

5. Local Enforcement System

	2016 €	2015 €
Administrative reimbursement on fines collected	16,322	15,358
Share of Profits from Joint Committee	-	7,343
	<u>16,322</u>	<u>22,701</u>

6. General Income

	2016 €	2015 €
Community Services	520	915
Cultural Events	1,836	3,447
Sponsorships	22,932	12,346
Tender Documents/Info. Charges	1,728	1,280
Media Advertising	5,518	13,494
Donations	420	-
Refund of expenses	150	3,397
Discounts and Waiver of amounts payable	-	24,282
Income from Permits	164,077	94,520
	<u>197,181</u>	<u>153,681</u>

7. Profit/(Loss) for the year

	2016 €	2015 €
Profit/(Loss) for the year is stated after charging:		
Staff salaries	190,489	173,856
Depreciation of intangible assets	539	665
Depreciation of tangible assets	133,499	198,373
Losses on impairment of property, plant & equipment	608	-
	<u></u>	<u></u>

Staff salaries

	2016 €	2015 €
Mayor's Remuneration	14,457	14,097
Councillors' Allowances	13,500	13,600
Executive Secretary Salary and Allowances	33,258	32,473
Employees' Salaries	117,187	103,158
Social Security Contributions	12,087	10,528
	<u>190,489</u>	<u>173,856</u>

Average number of people employed

Employees	7	7
Mayor & Councillors	<u>11</u>	<u>11</u>

8. Operations and Maintenance

	2016 €	2015 €
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	45,531	82,872
Signs	4,909	7,251
Road Markings	5,775	10,611
Office Furniture and Equipment	147	-
Other repairs and Upkeep	32,729	43,325
Council Property	-	225
	<u>89,091</u>	<u>144,284</u>
 <i>Contractual Services:</i>		
Waste Disposal	112,319	114,780
Refuse Collection	169,879	161,848
Bulky Refuse Collection	30,060	27,651
Hiring of Bins on Wheels	13,907	11,671
Cleaning Services	18,989	7,532
Road & Street Cleaning	129,032	137,968
Cleaning - Public Conveniences	43,198	42,309
Cleaning - Council Premises	2,356	1,554
Clean. & Maint. Parks & Gardens	61,483	61,988
Street Lighting	23,758	25,703
Local Enforcement Expenses	881	259
	<u>605,862</u>	<u>593,263</u>
 Total Operations and Maintenance Costs	<u>694,953</u>	<u>737,547</u>

9. Administration and other expenditure

	2016	2015
	€	€
Utilities	32,139	33,200
Other repairs and upkeep	16,923	20,725
Rent	4,606	3,917
National and International Memberships	1,265	440
Office Services	18,585	11,141
Transport	3,852	2,324
Travel	3,404	2,044
Information Services	18,066	22,828
Lease of Equipment	7,694	6,484
Insurance Coverage	3,510	3,205
Bank Charges	143	402
Professional Services	86,348	95,591
Training	8,319	7,972
Visits - Foreign Delegations	1,290	-
Other Hospitality Costs	1,813	714
Social Events	30,817	46,122
Cultural Events	1,879	3,545
Community Services	-	81
Sundry Minor Expenses	525	468
Provision for Doubtful Debtors	39,363	19,512
Bad Debts Written Off	2,675	-
Impairment loss on assets	608	-
Depreciation and amortisation	134,038	199,038
	<u>417,862</u>	<u>479,753</u>

10. Finance Income

	2016	2015
	€	€
Bank interest receivable	<u>275</u>	<u>1,542</u>

11. Intangible fixed assets

	€
Cost	
At 1 April 2016	5,513
Disposals	(410)
At 31 December 2016	<u>5,103</u>
Provision for diminution in value	
At 1 April 2016	3,349
On disposals	(395)
Charge for year	539
At 31 December 2016	<u>3,493</u>
Net book values	
At 31 December 2016	<u>1,610</u>
At 31 December 2015	<u>2,164</u>

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

12. Property, plant and equipment

	Property	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & equipment	Office Furniture & fittings	Motor vehicles	Special Programmes	Total
	€	€	€	€	€	€	€	€	€
Cost									
At 1 January 2015	186,515	507,509	98,345	956,640	59,096	46,636	17,026	1,734,293	3,606,060
Additions	-	71,575	-	13,585	2,010	1,074	-	-	88,244
Assets Capitalised	-	(256,187)	-	205,532	-	-	-	50,655	-
Other Reclassifications	-	(1,409)	-	-	-	-	-	-	(1,409)
At 31 December 2015	<u>186,515</u>	<u>321,488</u>	<u>98,345</u>	<u>1,175,757</u>	<u>61,106</u>	<u>47,710</u>	<u>17,026</u>	<u>1,784,948</u>	<u>3,692,895</u>
Depreciation									
At 1 January 2015	30,157	-	98,345	623,578	40,869	25,974	13,811	748,872	1,581,606
Charge for the year	1,564	-	-	102,443	4,076	1,556	643	88,091	198,373
At 31 December 2015	<u>31,721</u>	<u>-</u>	<u>98,345</u>	<u>726,021</u>	<u>44,945</u>	<u>27,530</u>	<u>14,454</u>	<u>836,963</u>	<u>1,779,979</u>
Grants									
At 1 January 2015 and At 31 December 2015	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>155,133</u>	<u>155,133</u>
Net book values									
At 31 December 2015	<u>154,794</u>	<u>321,488</u>	<u>-</u>	<u>449,736</u>	<u>16,161</u>	<u>20,180</u>	<u>2,572</u>	<u>792,852</u>	<u>1,757,783</u>

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

12. Property, plant and equipment

	Property	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & equipment	Office Furniture & fittings	Motor vehicles	Special Programmes	Total
	€	€	€	€	€	€	€	€	€
Cost									
At 1 January 2016	186,515	321,489	98,345	1,175,758	61,106	47,710	17,026	1,784,948	3,692,897
Additions	-	35,830	-	2,772	10,909	-	-	-	49,511
Assets Impaired	-	-	-	-	(5,391)	(652)	-	-	(6,043)
Other reclassifications	-	(3,158)	-	-	-	-	-	-	(3,158)
At 31 December 2016	<u>186,515</u>	<u>354,161</u>	<u>98,345</u>	<u>1,178,530</u>	<u>66,624</u>	<u>47,058</u>	<u>17,026</u>	<u>1,784,948</u>	<u>3,733,207</u>
Depreciation									
At 1 January 2016	31,720	-	98,345	726,022	44,945	27,530	14,454	836,962	1,779,978
On impairment	-	-	-	-	(4,907)	(543)	-	-	(5,450)
Charge for the year	1,548	-	-	45,849	4,794	1,509	514	79,285	133,499
At 31 December 2016	<u>33,268</u>	<u>-</u>	<u>98,345</u>	<u>771,871</u>	<u>44,832</u>	<u>28,496</u>	<u>14,968</u>	<u>916,247</u>	<u>1,908,027</u>
Grants									
At 1 January 2016 and At 31 December 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>155,133</u>	<u>155,133</u>
Net book values									
At 31 December 2016	<u>153,247</u>	<u>354,161</u>	<u>-</u>	<u>406,659</u>	<u>21,792</u>	<u>18,562</u>	<u>2,058</u>	<u>713,568</u>	<u>1,670,047</u>

13. Inventories

	2016	2015
	€	€
Books and other publications	1,784	1,784

14. Receivables

	2016	2015
	€	€
Receivables	Note 102,937	141,982
LES Debtors	Note 288	173
Other receivables	5,330	5,326
Accrued income	126,908	128,992
Financial assets	235,463	276,473
Prepayments	4,299	5,356
	239,762	281,829

Receivables

General receivables are analysed as follows:

	2016	2015
	€	€
Within credit period	10,856	10,152
Exceeded credit period but not impaired	92,081	131,830
Impaired and provided for	69,824	24,876
Provision for doubtful debts	(69,824)	(24,876)
	102,937	141,982

Included in the receivables are debtors with a carrying amount of € 92,081 (2015: € 131,830) which are past due at the reporting date for which the council has not provided as there has not been significant change in credit quality and the amounts are still considered recoverable. The age of financial assets past due but not impaired is as follows:

	2016 €	2015 €
Not more than 3 months	2,844	8,493
More than 3 months but not more than 6 months	4,137	-
More than 6 months	85,100	123,337
	<u>92,081</u>	<u>131,830</u>

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

	2016 €	2015 €
Balance at 1 January	24,876	5,364
Increase in provision for general receivables	44,948	19,512
	<u>69,824</u>	<u>24,876</u>

Local Enforcement System (LES) Debtors

LES Debtors are stated after a specific provision for doubtful debts amounting to €668,504 (2015 - €674,089).

15. Notes to the Statement of Cash Flows

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

	2016 €	2015 €
Bank Balances	765,851	626,712
Cash in Hand	76	3,327
	<u>765,927</u>	<u>630,039</u>

16. Payables

	2016 €	2015 €
Payables	382,395	403,998
Other taxes and social security costs	337	277
Other creditors	671	671
Accruals	141,752	172,352
Financial liabilities	525,155	577,298
Deferred Government Grants (Refer Note 17)	25,376	28,326
Other Deferred Income	15,014	7,734
	565,545	613,358

17. Deferred income

	2016 €	2015 €
Government grants		
At 1 January 2016	574,225	457,843
Increase in year	42,330	153,196
	616,555	611,039
Released in year	(28,326)	(36,814)
At 31 December 2016	588,229	574,225
Current Deferred Income	25,376	28,326
Non-Current Deferred Income	562,853	545,899
Deferred Government Grants		
Deferred between one and two years	22,744	25,376
Deferred between two and five years	55,105	61,432
Deferred in five years or more	485,004	459,091
	562,853	545,899
Deferred after five years or more:		
Government Grants	485,004	459,091

18. Capital commitments

	2016 €	2015 €
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	133,000	256,100
Contracted for but not provided in the financial statements	<u>116,000</u>	<u>40,000</u>
(i) Approved but not yet contracted for:		
Urban Improvements	6,000	6,000
Office Furniture & Fittings	2,000	2,000
Embellishment Independence Gardens	60,000	246,100
Office Equipment	2,000	2,000
Road Resurfacing	63,000	-
	<u>133,000</u>	<u>256,100</u>
(ii) Contracted for but not provided in the Financial Statements:		
Road paving and construction	50,000	40,000
Lighting Independence Gardens	66,000	-
	<u>116,000</u>	<u>40,000</u>

The projects outlined above will be financed through funds received from the Regional Committee out of the administration of the Local Enforcement System and other ordinary funds earmarked specifically out of the annual allocation granted to the Council by Central Government.

19. Contingent liabilities

The Council signed a Joint Cooperation Agreement with Pembroke, San Giljan, San Gwann and Swieqi Councils on the 3rd November 1999. This was further amended by an agreement signed on 14th August 2002 where the Council entered into a Pooling agreement. Clause 18.1 of the said agreement entails that the Council deposits €2,329 as a bank guarantee. This is to indemnify the Joint Committee against any breach of the agreement by Local Council Sliema.

A supplier is contesting the amount of €89,958 as payable to the Council for permits on account of constructions sites in Sliema, which in turn is being partly withheld from amounts due to it by the same Council. The outcome of the dispute is still uncertain.

20. Related party transactions

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Ministry for Tourism	Significant control
Department of Local Councils	Significant control
Lvant Joint Committee (Local Enforcement)	Joint Control
Northern Harbour District Joint Committee	Joint Control
Central Regional Committee	Joint Control
Gozo Regional Committee	No control
South Regional Committee	No control
North Regional Committee	No control
South Eastern Regional Committee	No control
Local Enforcement System Authority	No control
Transport Malta	No control
Department of Information	No control
Director General - DEF	No control
Manufacturing and Servicing Department	No control
Ministry for Resources and Rural Affairs (Dissolved at 31 December 2013)	No control
Ministry of Education - Permanent Secretary	No control
Malta Communications Authority	No control
College Principal - St. Claire College	No control
Local Councils Association Malta	No control
Department of Lands	No control
CVA Technology Limited	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Cleansing Services Department	No control
Director General - Works Division	No control
ARMS Limited	No control
Commissioner of Police	No control
Ministry for Interior and National Security - Permanent Secretary	No control
Wasteserv Malta Limited	No control

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

	2016	2015
	€	€
Annual Financial Allocation	<u>1,013,361</u>	<u>983,317</u>

Key management compensation

Transactions with key management personnel are disclosed in note 7. The key management personnel of the Council is composed of the Mayor, Councillors and Executive Secretary. Amounts paid to Key Management Personnel for the year amounted to € 63,429 (2015: € 62,345)

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:

	2016	2015
	€	€
<i>Classes of financial assets - carrying amounts</i>		
Trade and other receivables	235,463	276,473
Cash and cash equivalents	765,927	630,039
	<u>1,001,390</u>	<u>906,512</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 and cash equivalents the amount of € 765,927. 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 € 1,550,732 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

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

	Current	Non-Current	
	within	1 to 5	later than
	1 year	5 years	5 years
	€	€	€
Payables	382,395	-	-
Other taxes and social security costs	337	-	-
Other creditors	671	-	-
Accruals	141,752	-	-
	<u> </u>	<u> </u>	<u> </u>

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

	Current	Non-Current	
	within	1 to 5	later than
	1 year	5 years	5 years
	€	€	€
Payables	403,998	-	-
Other taxes and social security costs	277	-	-
Other creditors	671	-	-
Accruals	172,352	-	-
	<u> </u>	<u> </u>	<u> </u>

Foreign currency risk

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

Interest rate risk

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

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.

	2016	2015
	€	€
Current assets		
Loans and receivables:		
Trade and other receivables	235,463	276,473
Cash and cash equivalents	765,927	630,039
	<u>1,001,390</u>	<u>906,512</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	382,395	403,998
Other taxes and social security costs	337	277
Other creditors	671	671
Accruals	141,752	172,352
	<u>525,155</u>	<u>577,298</u>

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.

