

Haz-Zebbug Local Council

Annual Report and Financial Statements
31 December 2015

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

The Local Councils (Financial) Regulations 1993 require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's comprehensive income for the period and of the Council's retained funds at the end of the period. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Council (Financial) Regulations, 1993 and the Local Council (Financial) Procedures, 1996.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Council (Financial) Regulations 1993, and the Local Council (Financial) Procedures 1996. The Executive Secretary is also responsible for safeguarding the assets of the Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Sarah Agius
Mayor



Paula Valletta
Executive Secretary

Report of the Local Government Auditor to the Auditor General


Statement of Comprehensive Income

	Notes	2015 €	2014 €
Income			
Funds received from central government	4	889,289	871,445
Income raised under Local Enforcement System	5	12,205	9,455
Investment Income	6	101	94
General Income	7	42,995	35,993
		<u>944,590</u>	<u>916,987</u>
Expenditure			
Personal emoluments	8	137,675	112,448
Operations and Maintenance	9	463,168	387,536
Administrative and other Expenditure	10	378,859	501,286
		<u>979,702</u>	<u>1,001,270</u>
Total comprehensive loss for the year		<u>(35,112)</u>	<u>(84,283)</u>

Statement of Financial Position

	Notes	2015 €	2014 €
ASSETS			
Non-current assets			
Tangible assets			
Property, plant and equipment	11	2,479,998	2,729,594
Current assets			
Inventories	12	5,291	5,291
Receivables	13	145,036	166,604
Cash and cash equivalents	14	140,839	22,119
		291,166	194,014
Total Assets		2,771,164	2,923,608
Reserves			
Retained Fund		93,675	128,787
Non-current Liabilities			
Long term deferred income	15	935,143	907,397
Payables	16	832,251	1,035,452
		1,767,394	1,942,849
Current Liabilities			
Payables	16	867,078	833,362
Current portion of long-term borrowings	14	43,017	18,610
		910,095	851,972
Total Liabilities		2,677,489	2,794,821
Total Reserves and Liabilities		2,771,164	2,923,608

These financial statements were approved by the Local Council on 18/2/16 and are signed on its behalf by:


Sarah Agius
Mayor


Paula Valletta
Executive Secretary

Statement of Changes in Equity

	Retained Funds €	Total €
Balance at 1 January 2014	213,070	213,070
Total comprehensive loss for the year	(84,283)	(84,283)
Balance at 31 December 2014	128,787	128,787
Balance at 1 January 2015	128,787	128,787
Total comprehensive loss for the year	(35,112)	(35,112)
Balance at 31 December 2015	93,675	93,675

Statement of Cash Flows

	Note	2015 €	2014 €
Cash flows used in operating activities			
Loss for the year		(35,112)	(84,283)
Adjustments for:			
Depreciation		277,145	305,020
Provision for bad debts		-	(162,074)
Investment income receivable		(101)	(94)
Deferred grant released		(109,737)	(115,936)
Surplus/(deficit) for the period before working capital movements		132,195	(57,367)
Movement in receivables		21,568	82,064
Movement in payables		(170,122)	(250,588)
Net cash used in operating activities		(16,359)	(225,891)
Cash flows from investing activities			
Investment income receivable		101	94
Payment to acquire property, plant and equipment		(27,548)	(271,352)
Net cash used in investing activities		(27,447)	(271,258)
Cash flows from financing activities			
Grants		138,119	501,900
Net cash generated from financing activities		138,119	501,900
Movement in cash and cash equivalents		94,313	4,751
Cash and cash equivalents at the beginning of the year		3,509	(1,242)
Cash and cash equivalents at the end of the year	14	97,822	3,509

Notes to the Financial Statements

For the year ended 31 December 2015

1. Statutory Information

Haz-Zebbug Local Council is the local authority of Haz-Zebbug setup in accordance with the Local Councils Act. The Office of the Local Council is situated at Bishop Caruana Street, Zebbug, Malta.

2. Going concern

At the statement of financial position date, the current liabilities of the Local Council exceeds its current assets by €627,489 (2014: €657,958). These financial statements have been prepared on a going concern basis, which assumes that the Central Government will continue to provide support to the Local Council in the foreseeable future.

3. Accounting policies

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.

3. Accounting policies - continued

c. New standards, interpretations and amendments to published standards effective from 1 January 2015

The Local Council adopted new standards, amendments and interpretations to existing standards that are mandatory for the Local Council's accounting period beginning on or after 1 January 2015. These are:

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

The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Local Council's accounting policies.

3. Accounting policies - continued**d. New standards, interpretations and amendments to published standards that are not yet effective**

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements that are mandatory for accounting periods beginning on or after 1 January 2016. These include the following:

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

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

The following are the new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements that are mandatory for accounting periods beginning on or after 1 January 2016 which are relevant to the company:

- Amendments to IAS 1 *Disclosure Initiative*

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

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

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

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

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

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

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

e. Revenue recognition

Revenue is recognised upon transfer of funds from the Central Government when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the income statement as it accrued.

f. Functional and presentation currency

Items included in the Local Council's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). 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 a percentage of administrative fee for contraventions paid at Haz-Zebbug Local Council.

3. Accounting policies - continued**h. Government Grants**

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

i. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated on a monthly basis using the reducing balance method to allocate the cost of the assets to their residual values over their estimated useful lives as follows:

• Land	0%
• Trees	0%
• Buildings	1%
• Office furniture and fittings	7.5%
• Construction works	10%
• Urban Improvements (Street Furniture)	10%
• Special Projects	10%
• Office Equipment	20%
• Motor Vehicles	20%
• Plant and Machinery	20%
• Computer Equipment	25%

Other plant and equipment are listed on a replacement basis.

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

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

j. 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.

3. Accounting policies - continued**k. 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.

l. 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.

m. 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.

n. 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.

o. 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.

3. Accounting policies - continued**p. 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.

q. 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.

r. 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.

s. 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.

3. Accounting policies - continued**s. 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.

4. Funds Received from Central Government

	2015 €	2014 €
In terms of Section 55 of the Local Councils Act (Cap 363)	741,581	717,680
Other Supplementary Government Income	37,971	37,829
Other Government Income	109,737	115,936
	889,289	871,445

5. Income from Local Enforcement

	2015 €	2014 €
Administrative fee	12,205	9,455

6. Investment income

	2015 €	2014 €
Bank interest receivable	101	94

7. General Income

	2015 €	2014 €
Income from tender documents	2,100	1,350
Income from permits	18,358	14,832
Sponsorships	11,300	8,406
Contributions	11,237	11,405
	42,995	35,993

8. Personal Emoluments

	2015 €	2014 €
Mayor's allowance	11,372	11,902
Executive Secretary and allowances	33,797	33,732
Employees' salaries	73,641	51,258
Social Security Contributions	9,265	7,723
Councillors' remuneration	9,600	7,833
	137,675	112,448

9. Operations and Maintenance

	2015 €	2014 €
Repairs and Upkeep:		
Public property	41,749	20,395
Street signs	3,179	14,944
Road markings	1,456	983
Other repair and upkeep	2,566	11,159
	48,950	47,481

9. Operations and Maintenance - continued

	2015 €	2014 €
Contractual Services:		
Refuse collection (including bins on wheels)	130,244	130,766
Street sweeping	69,363	55,047
Cleaning and Maintenance of Non-Urban Roads	23,148	24,287
Cleaning and Maintenance of Public Conveniences	3,377	9,610
Waste disposal	108,988	91,496
Maintenance of Soft Areas	17,985	20,222
Street Lighting	58,746	28,839
Local Enforcement System	2,367	(20,212)
	<u>414,219</u>	<u>340,055</u>
	<u>463,168</u>	<u>358,012</u>

10. Administrative and other expenditure

	2015 €	2014 €
Accountancy fees	3,928	3,840
Advertising	738	3,922
Architect fees	593	17,510
Bad debts written off	-	163,089
Carnival activities	3,912	3,823
Christmas decorations	926	9,050
Cleaning of council premises	3,851	-
Depreciation	277,145	305,020
Fines and penalties	8,833	-
Fuel	1,435	610
General expenses	2,718	534
Hospitality	631	300
Legal fees	166	9,496
Library services and expenses	5,283	1,580
Materials and supplies	2,600	345
Nightfest activity	-	21,255
Other contractual – Bank charges	405	504
Other contractual – Hire of equipment	6,075	9,724
Other contractual - Insurance	3,111	3,720
Participation fee – National Organizations	-	175
Provision for bad debts	-	(162,074)
Professional fees	13,216	7,684
Publications and newsletters	10,000	6,950
Social and cultural activities	10,401	38,754
Stationery, postage and documentation	9,740	7,224
Support and marketing services	4,062	26,585
Transport	5,086	3,671
Utilities	3,989	17,981
Withholding tax	15	14
	378,859	501,286

11a. Property, plant and equipment

Asset	Construction and Special Projects	Office Furniture and Fittings	New street signs	Urban Improvements	Office and Computer Equipment	Plant and Machinery	Total
	€	€	€	€	€	€	€
Cost							
As at 1 January 2015	3,959,700	18,769	34,391	754,464	24,711	35,554	4,827,589
Additions	21,132	123	-	3,767	2,526	-	27,548
As at 31 December 2015	<u>3,980,832</u>	<u>18,892</u>	<u>34,391</u>	<u>758,231</u>	<u>27,237</u>	<u>35,554</u>	<u>4,855,137</u>
Grants and other reimbursements							
As at 1 January 2015	401,815	-	-	-	-	-	401,815
As at 31 December 2015	<u>401,815</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>401,815</u>
Accumulated Depreciation							
As at 1 January 2015	1,250,980	10,829	34,391	353,506	20,421	26,052	1,696,179
Charge for the year	232,804	605	-	40,473	1,363	1,900	277,145
As at 31 December 2015	<u>1,483,784</u>	<u>11,434</u>	<u>34,391</u>	<u>393,979</u>	<u>21,784</u>	<u>27,952</u>	<u>1,973,324</u>
Net Book Value							
As at 31 December 2015	<u>2,095,233</u>	<u>7,458</u>	<u>-</u>	<u>364,253</u>	<u>5,453</u>	<u>7,602</u>	<u>2,479,998</u>
As at 31 December 2014	<u>2,306,905</u>	<u>7,940</u>	<u>-</u>	<u>400,957</u>	<u>4,290</u>	<u>9,502</u>	<u>2,729,595</u>

11b. Property, plant and equipment

Asset	Construction and Special Projects	Office furniture and fittings	New street signs	Urban improvements	Office & Computer Equipment	Plant and machinery	Assets under Construction	Total
	€	€	€	€	€	€	€	€
Cost								
As at 1 January 2014	3,879,062	18,769	34,338	489,082	22,814	35,554	76,617	4,556,236
Additions	80,638	-	53	188,764	1,897	-	-	271,352
Disposal/Transferred to PPE	-	-	-	76,617	-	-	(76,617)	-
As at 31 December 2014	<u>3,959,700</u>	<u>18,769</u>	<u>34,391</u>	<u>754,463</u>	<u>24,711</u>	<u>35,554</u>	<u>-</u>	<u>4,827,588</u>
Grants and other reimbursements								
As at 1 January 2014	401,815	-	-	-	-	-	-	401,815
As at 31 December 2014	<u>401,815</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>401,815</u>
Accumulated Depreciation								
As at 1 January 2014	994,657	10,185	34,338	308,955	19,348	23,676	-	1,391,159
Charge for the year	256,323	644	53	44,551	1,073	2,376	-	305,019
As at 31 December 2014	<u>1,250,980</u>	<u>10,829</u>	<u>34,391</u>	<u>353,506</u>	<u>20,421</u>	<u>26,052</u>	<u>-</u>	<u>1,696,178</u>
Net Book Value								
As at 31 December 2014	<u>2,306,905</u>	<u>7,940</u>	<u>-</u>	<u>400,957</u>	<u>4,290</u>	<u>9,502</u>	<u>-</u>	<u>2,729,595</u>
As at 31 December 2013	<u>2,482,590</u>	<u>8,584</u>	<u>-</u>	<u>180,127</u>	<u>3,466</u>	<u>11,878</u>	<u>76,617</u>	<u>2,763,262</u>

12. Inventories

	2015 €	2014 €
Inventories	<u>5,291</u>	<u>5,291</u>

13. Receivables

	2015 €	2014 €
Receivables	39,551	71,654
Prepayments and accrued income	61,121	53,005
Advance payments to suppliers	44,364	41,945
	<u>145,036</u>	<u>166,604</u>

The average credit period on sales of services is 60 days. Receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the company has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

	2015 €	2014 €
Age of receivables that are past due but not impaired		
60-90 days	200	1,758
91-120 days	36,836	58,545
Total	<u>37,036</u>	<u>60,303</u>

	2015 €	2014 €
Movement in the allowance for doubtful debts		
Balance at beginning of the year	-	162,074
Impairment losses recognised on receivables	-	1,015
Amounts written off during the year as uncollectible	-	(163,089)
Balance at end of the year	<u>-</u>	<u>-</u>

13. Receivables - continued

In determining the recoverability of receivables, the Local Council considers any change in the credit quality of the trade 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.

14. Cash and cash equivalents

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

	2015 €	2014 €
Bank balances:		
Ordinary funds	140,558	22,069
Cash in hand	281	50
Bank balances overdrawn	(43,017)	(18,610)
	<u>97,822</u>	<u>3,509</u>

15. Long term deferred income

	2015 €	2014 €
Government grant	<u>935,143</u>	<u>907,397</u>
	2015 €	2014 €
Between 1 and 2 years	162,438	161,441
Between 2 and 5 years	187,530	186,512
Over 5 years	585,175	559,444
	<u>935,143</u>	<u>907,397</u>

16. Payables

	2015 €	2014 €
Non-Current		
Trade payables (Note)	<u>832,251</u>	<u>1,035,452</u>

16. Payables - continued

Note:

As at 31 December 2015, the Haż-Żebbuġ Local Council is contesting the amount due to one of the creditors amounting to €529,462 and the case is in front of the Arbitration Board.

	2015 €	2014 €
Current		
Trade payables (Note)	607,107	579,852
Accruals and deferred income	109,486	100,511
Government Grants	95,046	94,409
Other payables – FSS and NI	53,439	56,590
Contractor deposits	2,000	2,000
	867,078	833,362

Note:

As at 31 December 2015, the Haż-Żebbuġ Local Council is contesting the amount due to one of the creditors amounting to €71,253 (2014: €71,253) and the case is in front of the Arbitration board.

17. Related party transactions

During the year, the Local Council had effected transactions with related parties resulting mainly in connection with income and administrative transactions, are disclosed in notes 4, 5 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	Joint Control
North Regional Committee	No 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
Department of Lands	No Control
Wasteserv Malta Limited	No Control
Bank of Valletta plc	No Control

17. Related party transactions - continued

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

	2015 €	2014 €
(a) Funds received from Local Government	889,289	877,514

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.

18. 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.

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

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

The Local Council's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Generally, the Local Council ensures that it has sufficient cash on demand to meet expected operational expenditure, including the servicing of financial obligations.

Capital management

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

Fair values

At 31 December 2015 and 2014 the carrying amounts of cash at bank, receivables, payables and accrued expenses and short-term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments and/or the relatively short period of time between the origination of the instruments and their expected realisation. The fair values of long-term borrowings are not materially different from their carrying amounts.

19. Capital commitments**Capital expenditure**

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

	2015 €	2014 €
Contracted but not provided for	-	-
Authorised but not contracted	-	16,000
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