

XAGHRA LOCAL COUNCIL

**Annual Report and
Financial Statements**

For the year ended 31 December 2020

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ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2020

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Financial Statements for the year ended 31 December 2020

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

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's Statement of 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 Councils (Financial) Regulations, and the Local Councils (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, the Local Councils (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.

Approved by the Council and signed on its behalf on the 4th August, 2021 by:

Dr. Christian Zammit
Mayor

Mr. Ivan Attard
Executive Secretary

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 €	2019 €
ASSETS			
Non-current assets			
Property, plant and equipment	3	514,543	514,460
Current Assets			
Receivables	4	149,672	98,277
Cash in bank and at hand	5	1,048,521	1,314,969
		<u>1,198,193</u>	<u>1,413,246</u>
Total Assets		<u>€ 1,712,736</u>	<u>€ 1,927,706</u>
RESERVES AND LIABILITIES			
Reserves			
Retained Fund		733,499	640,621
Non-current Liabilities			
Non-current payables	6	49,030	73,545
Current Liabilities			
Payables	6	930,207	1,213,540
Total reserves and liabilities		<u>€ 1,712,736</u>	<u>€ 1,927,706</u>

The notes on pages 8 to 25 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on the 4th August, 2021 and signed on its behalf by:

Dr. Christian Zammit
Mayor

Mr. Ivan Attard
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 €	2019 €
REVENUE			
Funds received from central government	7	577,218	546,077
Income from LES	9	5,133	1,682
General Income	10	92,074	49,486
		<u>674,425</u>	<u>597,245</u>
EXPENDITURE			
Personal emoluments	11	(107,770)	(98,704)
Operations and maintenance	12	(245,992)	(189,061)
Administration and other expenditure	13	(102,537)	(151,741)
Depreciation	14	(125,808)	(115,500)
		<u>(582,107)</u>	<u>(555,006)</u>
Operating surplus for the year		<u>92,318</u>	<u>42,239</u>
Investment income	8	560	545
Total Comprehensive Income for the year		<u>€ 92,878</u>	<u>€ 42,784</u>

The notes on pages 8 to 25 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Retained Funds 2020 €	Retained Funds 2019 €
At 1 January	640,621	597,837
Total Comprehensive Income for the year	92,878	42,784
At 31 December	<u>€ 733,499</u>	<u>€ 640,621</u>

The notes on pages 8 to 25 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	2020 €	2019 €
Cash Flows from Operating Activities			
Total Comprehensive income for the year		92,878	42,784
Adjustments for:			
Depreciation		125,808	115,500
Investment Income		(560)	(545)
Operating Profit before working capital changes		<u>218,126</u>	<u>157,739</u>
(Increase)/Decrease in Receivables		(51,395)	4,130
(Decrease)/Increase in Payables		(124,604)	498,882
Net Cash generated from operating activities		<u>42,127</u>	<u>660,751</u>
Cash flows from Investing Activities			
Purchase of property, plant and equipment		(362,198)	(380,138)
Investment Income		560	545
Capital grants received		184,425	214,762
Net Cash used in investing activities		<u>(177,213)</u>	<u>(164,831)</u>
Net movement in Cash and Cash Equivalents		<u>(135,086)</u>	<u>495,920</u>
Cash and Cash Equivalents at the beginning of Year		1,182,146	686,226
Cash and Cash Equivalents at the end of year	5	<u>1,047,060</u>	<u>1,182,146</u>

The notes on pages 8 to 25 are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. General Information

Xaghra Local Council is the local authority of Xaghra setup in accordance with the Local Councils Act. The office of the Local Council is situated at 8th September Avenue, Xaghra, Gozo.

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.

(a) Accounting convention

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).

The financial statements are prepared under the historical cost convention as modified to include fair values stated in the accounting policies below. These Financial Statements are prepared in accordance to the requirements of International Financial Reporting Standards as adopted by the 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) Standards, amendments and interpretations to existing standards

New and amended standards adopted by the council

The new and revised standards that became effective for annual periods beginning on or after 1 January 2020 included the following:

IAS 1 'Presentation of financial statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' presents new definition of 'Material'. The new definition entails that 'information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

Standards, amendments and interpretations to existing standards that are not yet effective.

The Councillors and Executive Secretary anticipate that the adoption of International Financial Reporting Standards, that were in issue at the date of authorization of these financial statements, but not yet effective, will have no material impact on the financial statements of the company in the period of initial application.

(c) Revenue recognition

Revenue is recognised when the amount of revenue and the associated costs can be measured reliably. Interest income is recognised in the statement of comprehensive income as it accrues.

(d) Local Enforcement System

During 2020 the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is chargeable to LESA and the various Regional Committees for contraventions paid at the Council.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

(e) Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss to date. Depreciation is calculated on a monthly basis using the straight line 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
Road and traffic Signs	replacement basis
Street Mirrors	replacement basis
Street Lights	100

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 financial reporting 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 Local Council 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 year in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

(f) Government Grants

Government grants relating to the purchase of property, plant and equipment are accounted for on the Capital Approach according to IAS 20 as the Council adopted Directive 1/2017 issued by the Department of Local Council. With the Capital Approach, any grants received are netted off against the cost of the asset to which they relate. Depreciation will be accounted on the resulting cost less grant. Government grants relating to operating expenditure are recognised in profit or loss over the periods in which the Council recognises the related costs which the grants are intended to compensate.

(g) 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 cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the statement of comprehensive income.

(h) 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 amounts of the asset in 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.

(i) Foreign Currencies

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Local Council operates. These Financial Statements are presented in Euro, which is the Council's functional and presentation currency.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

(j) Surplus and deficits

Only surpluses that were realised at the date of the Statement of Financial Position are recognised in these Financial Statements. All foreseeable liabilities and potential deficits 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.

(k) 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.

(l) Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24.

During the year under review, the Local Council's related party that exercises a significant control was the Department for Local Government. The parties that exercise no control were Water Services Corporation and the Planning Authority.

(m) Payables

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the council.

(n) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

(n) Financial Instruments (continued)

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 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'.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

(o) Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS adopted by the EU requires council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In the opinion of the council members, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

3. PROPERTY, PLANT AND EQUIPMENT

	Office Furniture & Fittings €	Office & Computer Equipment €	Urban Improvements €	New Street Signs €	Special Programmes €	Plant and Equipment €	Assets Under Construction €	Total €
Cost								
At 1 Jan 2020	22,047	31,542	454,552	42,145	3,789,603	8,558	33,063	4,381,510
Additions	-	-	6,673	-	345,160	-	10,365	362,198
At 31 Dec 2020	€ 22,047	€ 31,542	€ 461,225	€ 42,145	€ 4,134,763	€ 8,558	€ 43,428	€ 4,743,708
Grants and other reimbursements								
At 1 Jan 2020	-	(2,500)	-	-	(1,737,151)	-	-	(1,739,651)
Additions	-	-	(5,000)	-	(231,307)	-	-	(236,307)
At 31 Dec 2020	€ -	€ (2,500)	€ (5,000)	€ -	€ (1,968,458)	€ -	€ -	€ (1,975,958)
Depreciation & Impairment								
At 1 Jan 2020	(21,284)	(27,966)	(323,793)	(42,145)	(1,671,112)	(8,036)	(33,063)	(2,127,399)
Charge for the year	(159)	(747)	(26,513)	-	(97,869)	(520)	-	(125,808)
At 31 Dec 2020	€ (21,443)	€ (28,713)	€ (350,306)	€ (42,145)	€ (1,768,981)	€ (8,556)	€ (33,063)	€ (2,253,207)
Net Book Value								
At 31 Dec 2020	€ 604	€ 329	€ 105,919	€ -	€ 397,324	€ 2	€ 10,365	€ 514,543

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

3. PROPERTY, PLANT AND EQUIPMENT – Continued

	Office Furniture & Fittings €	Office & Computer Equipment €	Urban Improvements €	New Street Signs €	Special Programmes €	Plant and Equipment €	Assets Under Construction €	Total €
Cost								
At 1 Jan 2019	22,047	31,542	403,892	42,145	3,460,125	8,558	33,063	4,001,372
Additions	-	-	50,660	-	329,478	-	-	380,138
At 31 Dec 2019	€ 22,047	€ 31,542	€ 454,552	€ 42,145	€ 3,789,603	€ 8,558	€ 33,063	€ 4,381,510
Grants and other reimbursements								
At 1 Jan 2019	-	(2,500)	-	-	(1,522,389)	-	-	(1,524,889)
Additions	-	-	-	-	(214,762)	-	-	(214,762)
At 31 Dec 2019	€ -	€ (2,500)	€ -	€ -	€ (1,737,151)	€ -	€ -	€ (1,739,651)
Depreciation & Impairment								
At 1 Jan 2019	(20,480)	(27,118)	(296,949)	(42,145)	(1,584,628)	(7,516)	(33,063)	(2,011,899)
Charge for the year	(804)	(848)	(26,844)	-	(86,484)	(520)	-	(115,500)
At 31 Dec 2019	€ (21,284)	€ (27,966)	€ (323,793)	€ (42,145)	€ (1,671,112)	€ (8,036)	€ (33,063)	€ (2,127,399)
Net Book Value								
At 31 Dec 2019	€ 763	€ 1,076	€ 130,759	€ -	€ 381,340	€ 522	€ -	€ 514,460

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

4. Receivables	2020	2019
	€	€
Accounts receivable	90,895	20,468
Prepayments and accrued income	58,777	77,809
	<u>€ 149,672</u>	<u>€ 98,277</u>

Receivables	2020	2019
	€	€
Within the current period	40,552	60,723
Exceeded credit period but not yet impaired	109,120	37,554
	<u>€ 149,672</u>	<u>€ 98,277</u>

5. Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the statement of cash flow comprise the following amounts in the Local Council statement of financial position:

	2020	2019
	€	€
Bank Balances:		
Ordinary funds	1,021,036	1,216,358
Funds at Central Bank	27,047	97,335
Cash in hand	438	1,276
Overdrawn balances	(1,461)	(132,823)
	<u>1,047,060</u>	<u>1,182,146</u>
Cash and cash equivalents	1,047,060	1,182,146
Transfer to payables (Note 6)	1,461	132,823
	<u>€1,048,521</u>	<u>€1,314,969</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

	2020	2019
	€	€
6. Payables		
Accounts payable	226,112	350,896
Other payables	12,672	4,812
Accruals	15,317	22,997
Capital Grants received in advance (Note 16)	634,467	775,557
Europe for Citizens Grant	89,208	-
Overdrawn bank balances (Note 5)	1,461	132,823
	<u>979,237</u>	<u>1,287,085</u>
Less: Non-current payables	(49,030)	(73,545)
	<u>€930,207</u>	<u>€1,213,540</u>
	<u>2020</u>	<u>2019</u>
	€	€
Non-current payables		
Between one and two years	24,515	24,515
Between two and five years	24,515	49,030
	<u>€49,030</u>	<u>€73,545</u>

Note: The capital grants received in advance represent funding received on Measure 4.3, from the Gozo Ministry and from the Ministry for the Environment, Climate Change and Planning which will be utilised on capital projects during 2021. Once the project will commence these will be capitalised under Property, plant and equipment. Capital commitments in relation to these grants are explained under Note 16 to the financial statements.

The Europe for Citizens grant received relates to a Youth Exchange Programme. This was supposed to start in 2020 however due to Covid-19 this project is still on hold.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

7. Funds received from Central Government	2020	2019
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	€ 576,205	€ 546,077
Other government income	€ 1,013	-
	<u>€ 577,218</u>	<u>€ 546,077</u>
8. Investment income	2020	2019
	€	€
Bank Interest Receivable	€ 560	€ 545
	<u>€ 560</u>	<u>€ 545</u>
9. Income from LES	2020	2019
	€	€
Administrative income under LES	€ 3,612	€ 1,682
	<u>€ 3,612</u>	<u>€ 1,682</u>
10. General Income	2020	2019
	€	€
Income from permits	12,697	10,946
Contributions and donations	897	4,507
Income from organic waste collection	72,148	34,033
Creditors waived	18,930	-
	<u>€ 104,672</u>	<u>€ 49,486</u>
11. Personal emoluments	2020	2019
	€	€
Personal emoluments include, inter alia:		
Mayor's honoraria	10,404	9,300
Mayor and Councillors' Allowances	13,000	9,462
Executive Secretary salary and allowances	31,786	30,966
Employee salaries	45,934	42,670
Social Security Contributions	6,646	6,306
	<u>€ 107,770</u>	<u>€ 98,704</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

12. Operations and Maintenance	2020	2019
	€	€
Repairs and Upkeep:		
Road and Street Pavements (patching works)	14,129	5,065
Street signs and markings	9,867	12,007
Other repairs and upkeep	20,472	42,972
Plants and trees	5,864	7,183
Total	€ 50,332	€ 67,227
Contractual Services:		
Refuse Collection (including bins on wheels)	153,980	67,982
Bulky Refuse Collection (incl tipping fees)	13,186	24,308
Road and street cleaning (mechanical and manual)	10,059	19,743
Cleaning and maintenance of Public Conveniences	4,781	5,172
Street Lighting	13,654	4,629
Total	€ 195,660	€ 121,834
Total Operations and Maintenance Expenses	€ 245,992	€ 189,061
13. Administration and other expenditure	2020	2019
	€	€
Utilities	5,651	5,086
Rent	500	2,150
National and International Memberships	3,315	1,050
Office Services	8,465	2,211
Travel	985	4,226
Transport	5,087	6,595
Information services	5,614	1,008
Professional Services	47,485	46,077
Community and Hospitality	3,499	20,560
Cultural events	21,656	48,349
TIPS4EU Project	-	3,837
Provision for doubtful debts	(7,003)	10,592
Bad Debts	7,283	-
Total	€ 102,537	€ 151,741

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

	2020 €	2019 €
14. Depreciation and impairment provisions		
Depreciation	€ 125,808	€ 115,500
	<u> </u>	<u> </u>

15. Related Parties Disclosures

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

Name of entity	Nature of relationship
Department of Local Councils	Significant control
Regional Committees	No control
Ministry for Gozo	No control
The Planning Authority	No control

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

	2020	2019
Significant control		
Revenue:		
Annual financial allocation	€ 576,205	€ 546,077
	<u> </u>	<u> </u>

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, Councils also receive funds relating to specific projects as well as other funds for the improvement and betterment of the locality.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

16. Capital Commitments

At the end of the financial year there was one capital projects approved but not yet contracted for.

Details of capital commitments are as follows	2020 €	2019 €
Approved but not contracted for:		
Projects under Measure 4.3 and Gozo Ministry		775,557
Projects under Ministry for the Environment, Climate Change and Planning	30,000	-
Approved and contracted for:		
Projects under Measure 4.3 and Gozo Ministry	795,613	
	<u>€ 825,613</u>	<u>€ 775,557</u>
	2020 €	2019 €
Approved but not contracted for:		
Resurfacing of part of Triq Ta' Gajdoru	-	54,932
Resurfacing of part Triq tal-Masri	-	61,663
Landscaping of Victory Square	30,000	80,000
Reconstruction of Triq Marsalforn	-	578,962
	<u>€ 30,000</u>	<u>€ 775,557</u>
Approved and contracted for:		
Reconstruction of Triq Marsalforn	€ 795,613	-

The Ministry for Gozo has agreed to grant €1,157,926 for the Reconstruction of Triq Marsalforn. The Ministry for the Environment, Climate Change and Planning has agreed to grant € 30,000 for the Landscaping of Victory Square.

17. Risk management objectives and policies

The Council's activities expose it to credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Council is not exposed to any market risk. The Council's risk management is coordinated by the council members and focuses on actively securing the council's short to medium term cash flow by minimising exposure to financial risks.

The most significant financial risks to which the council is exposed are described below.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

17. Risk management objectives and policies - continued

17.1 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, as summarised below:

	2020	2019
	€	€
Class of financial assets – carrying amounts		
Trade and other receivables	149,672	98,277
Cash and Cash Equivalents	1,048,521	1,314,969
	<u>€ 1,198,193</u>	<u>€ 1413,246</u>

The council continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The council's policy is to deal with only creditworthy counterparties.

17.2 Liquidity risk

The council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See notes 4 and 5 for further information on impairment or financial assets that are past due.

None of the council's financial assets is secured by collateral or other credit enhancements

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The council's exposure to liquidity risk arises from its obligations to meet its financial liabilities which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funds to meet the council's obligations when they become due.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

17. Risk management objectives and policies – continued**17.2 Liquidity risk (continued)**

The council manage its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis.

	2020	2019
Payables		
Within one year	930,207	1,213,540
Within more than one year	49,030	73,545
	€ 979,237	€ 1,287,085

17.3 Interest rate risk

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 5), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

17.4 Summary of the financial assets and liabilities by category

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

Current Assets	2020	2019
	€	€
Loans and receivables:		
Trade and other receivables	149,672	98,277
Cash and Cash Equivalents	1,048,521	1,314,969
	€ 1,198,193	€1,413,246
Current Liabilities		
Financial liabilities measured at amortised costs:		
Within one year	€ 930,207	€ 1,213,540

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 – continued

17. Risk management objectives and policies – continued

17.5 Capital risk management

The Council's objectives when managing capital are to safeguard the Council's ability to continue as a going concern so that it can continue to provide a service to the residents of the Local Council by maintaining an optimal capital structure to reduce cost of capital.

The Council's equity, as disclosed in the statement of financial position, constitutes its capital. The Council's capital structure is monitored by the Executive Secretary and the Council with appropriate reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Council's activities, the capital level as at the end of the reporting period is deemed adequate by the Council.

18. Fair value estimation

At 31 December 2020 and 31 December 2019, the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

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