



KUNSILL LOKALI VALLETTA

VALLETTA LOCAL COUNCIL

Auditor General  
National Audit Office  
Notre Dame Ravelin  
Floriana FRN 1601  
Malta

Tuesday 1<sup>st</sup> March 2022

**Unaudited Financial Statements 2021**

Dear Sir / Madame,

Kindly find attached copies of the Unaudited Financial Statements 2021 approved during council meeting 37 of Tuesday 1<sup>st</sup> March 2022

Gabriella Agius  
Executive Secretary

cc. Director department for Local Government



Il-Gimgha 25 ta' Frar 2022

## 8 LEGISLATURA

AGENDA Numru 37

Laqgħa tal-Kunsill Lokali Valletta

Lill-Membri kollha

Qiegħed tiġi mitlub/a biex tattendi għal-laqgħa tal-Kunsill Lokali numru 37 li ser tinżamm fis-Sala tal-Kunsill Lokali nhar it-Tlieta 1 ta' Marzu, 2022 fis-16.00hrs.

### IFFIRMATA

**Gabriella Agius**  
Segretarju Ezekuttiv

il-Gimgha 25 ta' Frar 2022

\_\_\_\_\_  
Data

---

### AGENDA

37.Qari tal-ittri ta' apologiji;

37.1 Komunikazzjoni mis-Sindku

37.2 Komunikazzjoni u spjegazzjoni ta' l-unaudited financial statements 2021

min Laurence Manicaro-Accountant Parker Randall Turner.

37.3 Approvazzjoni u ffirmar tal-Financial Statements

37.4 Tmiem tal-laqgħa u data tas-seduta li jmiss.

**VALLETTA LOCAL COUNCIL**  
**FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

<b>CONTENTS</b>	<b>PAGES</b>
Statement Of Local Council Members' And Executive Secretary's Responsibilities	1
Statement of comprehensive income	2
Statement of financial position	3
Statement of changes in equity	4
Statement of cash flows	5
Notes to the financial statements	6 – 25


## **VALLETTA LOCAL COUNCIL**

### **STATEMENT OF LOCAL COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S RESPONSIBILITIES**

The Local Government (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 Government (Financial) Regulations, and the Local Government (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 Government Act, Local Government (Financial) Regulations, and the Local Government (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 1<sup>st</sup> March 2022 and signed on its behalf by:



**Alfred Zammit**  
Mayor



**Gabriella Agius**  
Executive Secretary

## VALLETTA LOCAL COUNCIL

### STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes:	2021 €	2020 €
<b>Revenue</b>			
Funds received from the Central Government	3	969,183	1,031,252
Income Raised under Local Enforcement System	4	8,598	6,445
General Income	5	365,661	410,837
		<u>1,343,442</u>	<u>1,448,534</u>
<b>Expenditure</b>			
Personnel Emoluments	6	(247,956)	(249,658)
Operations and maintenance	7	(787,973)	(937,527)
Administration and other expenditure	8	(135,564)	(163,441)
Depreciation and amortization and loss on disposal	9	(104,222)	(105,045)
		<u>(1,275,715)</u>	<u>(1,455,671)</u>
Operating profit/ (loss) for the year		<u>67,727</u>	<u>(7,137)</u>
Finance income		-	-
<b>Profit/ (loss) for the year</b>		<u>€ 67,727</u>	<u>€ (7,137)</u>

## VALLETTA LOCAL COUNCIL

### STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 €	2020 €
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	238,900	339,096
Intangible assets	11	3,293	10,008
		<u>242,193</u>	<u>349,104</u>
<b>Current assets</b>			
Receivables	12	209,169	292,777
Cash and cash equivalents	13	99,452	37,642
		<u>308,621</u>	<u>330,419</u>
<b>Total assets</b>		<u>550,814</u>	<u>679,523</u>
<b>Reserves</b>			
Retained earnings		25,903	(41,824)
<b>Current liabilities</b>			
Trade and other payables	14	524,911	721,347
<b>Total reserves and liabilities</b>		<u>550,814</u>	<u>€ 679,523</u>

These financial statements were approved by the Local Council on 1<sup>st</sup> March 2022 and signed on its behalf by:



Alfred Zammit  
Mayor



Gabriella Agius  
Executive Secretary

## VALLETTA LOCAL COUNCIL

### STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Retained Funds €
At 31 December 2019	€ (34,687)
	<hr/>
At 1 January 2020	(34,687)
Loss for the year	(7,137)
	<hr/>
At 31 December 2020	€ (41,824)
	<hr/>
At 1 January 2021	(41,824)
Profit for the year	67,727
	<hr/>
At 31 December 2021	€ 25,903
	<hr/>

## VALLETTA LOCAL COUNCIL

### STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 €	2020 €
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit/(loss) for the year	67,727	(7,137)
Depreciation	97,507	96,116
Amortisation	6,715	8,929
	<hr/>	<hr/>
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	171,949	97,908
Decrease/ (increase) in receivables	83,608	(69,711)
(Decrease)/ increase in payables	(196,009)	(54,737)
	<hr/>	<hr/>
Cash generated from/ (used in) operating activities	59,548	(26,540)
	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(323,544)	(193,690)
Purchase of intangible assets	(3,725)	(561)
Government grants received	329,958	247,548
	<hr/>	<hr/>
Cash generated from investing activities	2,689	53,297
	<hr/>	<hr/>
Net movement in cash and cash equivalents	62,237	26,757
Cash and cash equivalents at beginning of year	35,717	8,960
	<hr/>	<hr/>
Cash and cash equivalents at end of year	€ 97,954	€ 35,717
	<hr/>	<hr/>



## **VALLETTA LOCAL COUNCIL**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

#### **1 GENERAL INFORMATION**

The Valletta Local Council is the local authority of Malta set up in accordance with the Local Government Act (1993). The office of the council is situated at 33-35, Treasury Street, Republic Valley, Valletta. These financial statements were approved for issue by the council members on 1<sup>st</sup> March 2022. The council's financial statements are presented in euro which is the functional currency of the council.

#### **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 are prepared under the historical cost convention except as disclosed below. These financial statements are prepared in accordance with the provisions of the Local Government Act Cap. 363, the Financial Regulations issued in terms of this Act and the Local Government (Financial) Procedures 1996 enacted in Malta and with the requirements of International Financial Reporting Standards as adopted by the European Union.

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 Government Act (Cap. 363).

##### **(b) Standards, amendments and interpretations to existing standards**

The new and revised standards that became effective for annual periods beginning on or after 1 January 2021 made several minor amendments to a number of IFRSs. None of the changes to IFRSs and interpretations has had, or is expected to have, a material impact on the council's financial statements.

##### **New and amended standards adopted by the Council**

Information on new standards, amendments and interpretations that are relevant to the Council's financial statements is provided below. Certain other new standards and interpretations not listed below have been issued but are not relevant and therefore are not expected to have any impact on the Council's financial statements.

The Council started to adopt the new accounting pronouncements which have become effective this year, and are as follows:

## VALLETTA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

#### **(b) Standards, amendments and interpretations to existing standards - continued**

##### Covid -19 related rent concessions beyond 30 June 2021 (Amendments to IFRS 16)

This pronouncement amended IFRS 16 'Leases' to provide lessees with an exemption from assessing whether a Covid-19 related rent concession is a lease modification. On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments effects only payments originally due on or before 30 June 2021. This amendment became effective for annual reports beginning on or after 1 April 2021.

##### Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments finalise the IFRS board response to the ongoing reform of inter-bank offered rates (IBOR) and other interest rate benchmarks and complement those issued and focus of the effects on financial statements when an entity replaces the old interest rate benchmark with an alternative benchmark rate as a result of the reform. These amendments became effective for annual reports beginning on or after 1 January 2021.

These amendments do not have a significant impact on these financial statements and therefore the disclosures have not been made.

#### **New standards and amendments not yet effective and not yet adopted by the Local Council**

At the date of authorisation of these financial statements, several new, but not effective Standards and amendments to existing standards, and Interpretations have been published by the IASB. None of these standards or amendments to existing standards have been adopted early by the Local Council. These are the following:

On 23 January 2020, the IASB issued 'Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place of the reporting date. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

On 18 May 2017, the IASB issued IFRS 17 'Insurance Contracts' that require insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 as is effective for annual reporting periods beginning on or after from 1 January 2023.

## **VALLETTA LOCAL COUNCIL**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

#### **(b) Standards, amendments and interpretations to existing standards – continued**

On 14 May 2020, the IASB issued 'Reference to the Conceptual Framework (Amendments to IFRS 3)'. The amendment update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

On 14 May 2020, the IASB issued 'Proceeds before Intended Use- Amendments to IAS 16'. The amendments prohibit deducting from the cost of an item of PPE and proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items , and the cost of producing those items in profit and loss. These amendments are effective for annual periods beginning on or after 1 January 2022.

On 14 May 2020, the IASB issued 'Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)'. The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. These amendments are effective for annual periods beginning on or after 1 January 2022.

On 14 May 2020, the IASB issued 'Annual Improvements to IFRS Standards 2018-2020'. These make amendments to IFRS 1, IFRS 9, IFRS 16 AND IAS 41. These amendments are effective for annual periods beginning on or after 1 January 2022

The Councillors and Executive Secretary anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Local Council financial statements.

#### **(c) Intangible fixed assets**

Intangible assets are valued at cost less accumulated amortization and impairment losses to date. Amortisation to write off the cost is calculated on a monthly basis using the straight line method at 25% per annum.

## VALLETTA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

#### (d) 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 straight line method at rates calculated to write down the cost less residual value of each asset over its expected useful life as follows:

	%
Land	-
Trees	-
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 signs	replacement basis
Street mirrors	replacement basis
Street lights	100
Traffic signs	replacement basis

During 2018 the Local Council has changed the method of calculating depreciation as per Directive 1/2017. In previous years depreciation was calculated using the reducing balance method. There were no changes in the depreciation rates.

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 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.

## **VALLETTA LOCAL COUNCIL**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

#### **(e) 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.

#### **(f) Operating 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 income statement on a straight-line basis over the period of the lease.

#### **(g) 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.

#### **(h) Related parties**

Related parties are those persons or bodies of persons having relationships with the council as defined in IAS 24. See note 17 for a list of related parties with which the council carried out transactions during the year under review.

#### **(i) 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.

Income from Central Government is not recognised until there is a reasonable assurance that the council will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross and any deductions made for non compliance are to be disclosed separately with expenses.

## **VALLETTA LOCAL COUNCIL**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

#### **(j) LES income**

LES income is accounted for in the statement of comprehensive income as it accrues.

#### **(k) Government grants**

Government grants are accounted for using 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. Up to year ended 31 December 2017, government grants were accounted for using the Income approach. This is a change in accounting policy and according to IAS 8 -Accounting Policies, Changes in Accounting Estimates and Errors, has been accounted for retrospectively.

Grants in relation to operation expenses are included as income in the Statement of Comprehensive Income.

#### **(l) Profit 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.

#### **(m) Cash and cash equivalents**

In the statement of financial position and the statement of cash flows, cash and cash equivalents comprise cash in hand and at bank.

#### **(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 substantially all 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.

## **VALLETTA LOCAL COUNCIL**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

#### **(n) Financial instruments (continued)**

##### **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'.

## VALLETTA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

#### (o) Capital management policies and procedures

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 rate.

To achieve the above, the council carries out a quarterly review of the working capital ratio ('Financial Situation Indicator'). This ratio was negative at the reporting date and the council is working to improve the situation. The council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

#### (p) Significant judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS 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).

### 3 FUNDS RECEIVED FROM CENTRAL GOVERNMENT

	2021	2020
	€	€
In terms of section 55 of the Local Council Act	932,309	918,314
Other supplementary Government Income	36,874	112,938
	<hr/>	<hr/>
	969,183	1,031,252
	<hr/>	<hr/>



## VALLETTA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

#### 4 LOCAL ENFORCEMENT INCOME

	2021	2020
	€	€
Administrative charges under LES system	8,598	€ 6,445

#### 5 GENERAL INCOME

	2021	2020
	€	€
CVA Income	15,750	27,000
Income from permits	181,939	211,011
Income from organic waste	145,376	148,208
Other income	22,596	24,618
	<u>€ 365,661</u>	<u>€ 410,837</u>

#### 6 PERSONNEL EMOLUMENTS

	2021	2020
	€	€
Mayor's Allowance	15,269	15,027
Councillors' allowance	17,800	17,800
Executive secretary salary and allowance	37,163	36,046
Employees' salaries	161,569	164,668
Social Security Contributions	16,155	16,117
	<u>247,956</u>	<u>€ 249,658</u>
Number of employees	8	8
Mayor	1	1
Councillors	6	6
Average number of employees	<u>15</u>	<u>15</u>

## VALLETTA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

#### 7 OPERATIONS AND MAINTENANCE

	2021	2020
	€	€
<b>Repairs and upkeep:</b>		
Signs	4,787	5,679
Road Markings	464	696
Road and street repairs	30,334	47,145
	<hr/>	<hr/>
	€ 35,585	€ 53,520
<b>Contractual Services:</b>		
Organic waste Refuse Collection	148,208	148,208
Recycling waste Refuse Collection	45,312	88,144
Mixed waste Refuse Collection	254,352	262,027
Bulky Refuse Collection	21,200	19,550
Tipping fees	40,474	92,292
Road and street cleaning	195,393	203,743
Cleaning – council premises	6,234	5,250
Cleaning and maintenance - parks & gardens	35,766	45,226
Street lighting	5,449	19,567
	<hr/>	<hr/>
	752,388	884,007
	<hr/>	<hr/>
Total operations and maintenance costs	€ 787,973	€ 937,527
	<hr/>	<hr/>

## VALLETTA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

#### 8 ADMINISTRATION AND OTHER EXPENDITURE

	2021	2020
	€	€
Bank interest and charges	1,352	980
Cultural, conference and social events	16,944	35,243
Information Services	2,460	-
Insurance coverage	6,495	5,484
Office services	22,973	19,974
Professional services	15,582	17,890
Data protection officer	8,435	8,435
Information technology expenses	5,365	7,845
Accountancy services	5,971	7,045
Legal services	8,754	7,120
Security services	4,509	5,709
Rent	10,883	10,158
Sundry expenses	2,321	2,551
Subscriptions	-	151
Training	3,600	19,839
Transport	1,007	142
Utilities	18,913	14,875
	<u>€ 135,564</u>	<u>€ 163,441</u>

#### 9 DEPRECIATION AND IMPAIRMENT

Amortisation	6,715	8,929
Depreciation	97,507	96,116
	<u>€104,222</u>	<u>€ 105,045</u>

**VALLETTA LOCAL COUNCIL**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

**10 PROPERTY, PLANT AND EQUIPMENT**

	Assets under Construction		New Street Signs	Plants	Motor Vehicles	Urban Improvements	Plant & Machinery	Office Furniture	Computer Equipment	Special Programmes	Total
	€	€									
<u>Cost</u>											
As at 01/01/21	39,595	8,900	5,672	6,500	2,770,859	59,234	70,331	18,240	334,595	3,313,926	
Additions	219,824	-	9,171	21,589	-	-	-	1,655	71,305	323,544	
As at 31/12/21	259,419	8,900	14,843	6,500	2,792,448	59,234	70,331	19,895	405,900	3,637,470	
<u>Grants</u>											
As at 01/01/21	-	-	-	-	1,261,906	-	-	-	139,994	1,401,900	
Additions	249,323	-	9,171	-	-	-	-	-	67,739	326,233	
As at 31/12/21	249,323	-	9,171	-	1,261,906	-	-	-	207,733	1,728,133	
<u>Depreciation</u>											
As at 01/01/21	-	8,900	5,672	1,192	1,256,003	56,699	42,026	7,837	194,601	1,572,930	
Charge for the year	-	-	-	1,300	84,087	1,514	5,274	4,975	357	97,507	
As at 31/12/21	-	8,900	5,672	2,492	1,340,090	58,213	47,300	12,812	194,958	1,670,437	
<u>Net Book Value</u>											
As at 31/12/21	€ 10,096	€ -	€ -	€ 4,008	€ 190,452	€ 1,021	€ 23,031	€ 7,083	€ 3,209	€ 238,900	

**VALLETTA LOCAL COUNCIL**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

**10 PROPERTY, PLANT AND EQUIPMENT**

	Assets under Construction		New Street Signs	Plants	Motor Vehicles	Urban Improvements	Plant & Machinery	Office Furniture	Computer Equipment	Special Programmes	Total
	€	€									
<u>Cost</u>											
As at 01/01/20	109,299	8,900	-	5,672	-	2,660,490	59,234	70,331	11,709	194,601	3,120,236
Additions	39,595	-	6,500	-	107,554	-	-	-	6,531	33,510	193,690
Reclassifications	(109,299)	-	-	-	2,815	-	-	-	-	106,484	-
As at 31/12/20	39,595	8,900	6,500	5,672	2,770,859	59,234	70,331	18,240	334,595	3,313,926	
<u>Grants</u>											
As at 01/01/20	-	-	-	-	1,154,352	-	-	-	-	-	1,154,352
Additions	-	-	-	-	107,554	-	-	-	-	139,994	247,548
As at 31/12/20	-	-	-	-	1,261,906	-	-	-	-	139,994	1,401,900
<u>Depreciation</u>											
As at 01/01/20	-	8,900	-	5,672	-	1,171,966	54,470	36,752	4,453	194,601	1,476,814
Charge for the year	-	-	1,192	-	84,037	2,229	5,274	3,384	7,837	-	96,116
As at 31/12/20	-	8,900	1,192	5,672	1,256,003	56,699	42,026	7,837	194,601	1,572,930	
<u>Net Book Value</u>											
As at 31/12/20	€ 39,595	€ -	€ 5,308	€ -	€ 252,950	€ 2,535	€ 28,305	€ 10,403	€ -	€ -	€ 339,096

## VALLETTA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

#### 11 INTANGIBLE FIXED ASSET

	Website Costs €	Application (Vatis) €	Computer software €	Total €
<u>Cost</u>				
As at 01/01/20	8,968	26,000	5,681	40,649
Additions	-	-	561	561
As at 01/01/21	8,968	26,000	6,242	41,210
Additions	-	-	3,725	3,725
As at 31/12/21	<u>€ 8,968</u>	<u>€ 26,000</u>	<u>€ 9,967</u>	<u>€ 44,935</u>
<u>Grant</u>				
At 01/01/21	-	-	-	-
Additions	-	-	3,275	3,275
At 31/12/21	-	-	3,725	3,725
<u>Amortization</u>				
As at 01/01/20	1,495	15,167	5,611	22,273
Charge for the year	2,242	6,500	187	8,929
As at 01/01/21	3,737	21,667	5,798	31,202
Charge for the year	2,242	4,333	140	6,715
As at 31/12/21	<u>€ 5,979</u>	<u>€ 26,000</u>	<u>€ 5,938</u>	<u>€ 37,917</u>
<u>Net Book Value</u>				
As at 31/12/21	<u>€ 2,989</u>	<u>€ -</u>	<u>€ 304</u>	<u>€ 3,293</u>
As at 31/12/20	<u>€ 5,231</u>	<u>€ 4,333</u>	<u>€ 444</u>	<u>€ 10,008</u>

## VALLETTA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

#### 12 RECEIVABLES

	2021 €	2020 €
Receivables	103,042	185,480
Prepayments and accrued income	106,127	107,297
	<u>209,169</u>	<u>€ 292,777</u>

The carrying value of short-term receivables is considered a reasonable approximation of fair value.

In determining the recoverability of receivables the council considers any change in the credit quality of each receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the debtor base being large and unrelated.

Included in receivables are debtors with a carrying amount of € 81,040 (2020: € 130,138) 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:

	2021 €	2020 €
Not more than 3 months	2,649	44,736
More than 3 months but not more than 6 months	58,198	40,400
More than 6 months	20,193	45,002
	<u>€ 81,040</u>	<u>€ 130,138</u>

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

	2021 €	2020 €
Balance at 1 January	426,653	428,788
Decrease in provision for LES debtors	-	(2,135)
Balance at 31 December	<u>€ 426,653</u>	<u>€ 426,653</u>

## VALLETTA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

#### 13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	2021 €	2020 €
Bank balances	99,452	37,642
Bank balances overdrawn	(1,498)	(1,925)
Cash and cash equivalents	<u>97,954</u>	<u>35,717</u>
Transfer to current liabilities (note 14)	1,498	1,925
Cash at hand and in bank	<u>€ 99,452</u>	<u>€ 37,642</u>

The council did not have any restrictions on its cash balances at year end.

#### 14 TRADE AND OTHER PAYABLES

	2021 €	2020 €
<b>CURRENT PAYABLES</b>		
Payables	315,437	456,691
Accruals	24,507	22,269
National insurance contributions	46,407	51,206
Bank balances overdrawn (note 13)	1,498	1,925
Grants received in advance	21,395	30,566
Deferred income	115,667	158,690
Financial liabilities	<u>€ 524,911</u>	<u>€ 721,347</u>

Financial liabilities are carried at their nominal value which is considered a reasonable approximation of fair value.

#### 15 CAPITAL COMMITMENTS

	2021 €	2020 €
Approved but not contracted for	-	-
Approved and contracted for	115,667	158,690
	<u>€ 115,667</u>	<u>€ 158,690</u>



## VALLETTA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

#### 16 CONTINGENT LIABILITIES

	2021 €	2020 €
Claims by third parties	€ 120,000	€ 120,000

#### 17 RELATED PARTY TRANSACTIONS

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
Central Joint Committee (Local Enforcement)	Joint control
South Eastern Regional Committee	Joint control
Gozo Regional Committee	No control
North Regional Committee	No control
Southern Regional Committee	No control
Central Regional Committee	No control
Police General Head Quarters	No control
Local Councils Association	No control
Malta Environment and Planning Authority	No control
LESA	No control
Air Malta plc	No control
Malta Communications Authority	No control
Central Bank of Malta	No control
Civil Protection	No control
Bank of Valletta plc	No control
Maltapost	No control
Malta Tourism Authority	No control
Environmental Landscape Consortium	No control
Wasteserv Malta Limited	No control
Transport Malta	No control
The Commissioner for Inland Revenue	No control
ARMS Limited	No control
Performing Rights Society	No control
Government Property Division	No control

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

	2021 €	2020 €
Annual financial allocation	€ 932,309	€ 918,314

## VALLETTA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

#### 17 RELATED PARTY TRANSACTIONS (continued)

The ultimate controlling party 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.

#### 18 RISK MANAGEMENT OBJECTIVES AND POLICIES

The council is exposed 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 flows by minimising the exposure to financial risks.

The most significant financial risks to which the council is exposed are described below. See also note 18.3 for a summary of the council's financial assets and liabilities by category.

##### 18.1 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:

	Notes	2021 €	2020 €
Classes of financial assets – carrying amounts			
Trade and other receivables	12	209,169	292,777
Cash and cash equivalents	13	99,452	37,642
		<u>€ 308,621</u>	<u>€ 330,419</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 only with creditworthy counterparties.

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 note 12 for further information on impairment or financial assets that are past due.

## VALLETTA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

#### 18 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

#### 18.2 LIQUIDITY RISK

The council's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise payables (see note 14). Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funding to meet the council's obligations when they become due.

The council manages its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. The council's liquidity risk is not deemed to be significant in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments, as well as the council's committed borrowing facilities that it can access to meet liquidity needs.

At 31 December 2021 the council's financial liabilities have contractual maturities which are summarised below:

#### Current within 1 year:

	2021 €	2020 €
Payables	315,437	456,691
Accruals	24,507	22,269
National insurance outstanding	46,407	51,206
Bank balances overdrawn	1,498	1,925
Grants received in advance	21,395	30,566
Deferred income	115,667	158,690
	<u>€ 524,911</u>	<u>€ 721,347</u>

## VALLETTA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

#### 18.3 SUMMARY OF 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:

	2021 €	2020 €
<b>Current assets</b>		
Loans and receivables:		
Trade and other receivables	209,169	292,777
Cash and cash equivalents	99,452	37,642
	<u>€ 308,621</u>	<u>€ 330,419</u>
<b>Current liabilities</b>		
Financial liabilities measured at amortised cost:		
Payables	315,437	456,691
Accruals	24,507	22,269
National insurance contributions	46,407	51,206
Bank balance overdawn	1,498	1,925
Grants received in advance	21,395	30,566
Deferred income	115,667	158,690
	<u>€ 524,911</u>	<u>€ 721,347</u>

#### 19 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.

#### 20 GOING CONCERN

The statement of financial position on page 3 shows a net current liability position amounting to € (216,290) (2020 - € (390,928)) and the notes thereto, with special reference to capital commitments, suggest that the going concern assumption used in the preparation of these financial statements is dependent on further sources of funds other than the annual financial allocation by Central Government, on the collection of debts due to the Council and on the continued support of the Council's creditors. Any adverse change in either of these assumptions above, would not let the Council able to meet its financial obligations as they fall due without curtailing its future commitments.