

VALLETTA LOCAL COUNCIL
FINANCIAL STATEMENTS
For the year ended 31 December 2020

CONTENTS	PAGES
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 14 July 2021 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 2020

	Notes:	2020 €	2019 €
Revenue			
Funds received from the Central Government	3	1,031,252	965,179
Income Raised under Local Enforcement System	4	6,445	8,896
General Income	5	410,837	424,995
		<hr/>	<hr/>
		1,448,534	1,399,070
Expenditure			
Personnel Emoluments	6	(249,658)	(249,800)
Operations and maintenance	7	(937,527)	(861,099)
Administration and other expenditure	8	(163,441)	(190,431)
Depreciation and amortization and loss on disposal	9	(105,045)	(114,128)
		<hr/>	<hr/>
		(1,455,671)	(1,415,453)
		<hr/>	<hr/>
Operating (loss) for the year		(7,137)	(16,383)
		<hr/>	<hr/>
Finance income		-	19
		<hr/>	<hr/>
(Loss) for the year		€ (7,137)	€ (16,369)
		<hr/>	<hr/>

VALLETTA LOCAL COUNCIL

STATEMENT OF FINANCIAL POSITION

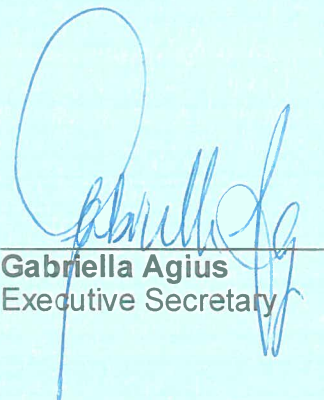
At 31 December 2020

	Notes	2020 €	2019 €
Assets			
Non-current assets			
Property, plant and equipment	10	339,096	489,070
Intangible assets	11	10,008	18,376
		<u>349,104</u>	<u>507,446</u>
Current assets			
Receivables	12	292,777	223,065
Cash and cash equivalents	13	37,642	17,049
		<u>330,419</u>	<u>240,114</u>
Total assets		<u>679,523</u>	<u>€ 747,560</u>
Reserves			
Retained earnings		(41,824)	(34,687)
Current liabilities			
Trade and other payables	14	721,347	782,247
Total reserves and liabilities		<u>€ 679,523</u>	<u>€ 747,560</u>

These financial statements were approved by the Local Council on 14 July 2021 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 2020

	Retained Funds €
At 31 December 2018	€ (18,318)
At 1 January 2019	(18,318)
Loss for the year	(16,369)
At 31 December 2019	€ (34,687)
At 1 January 2020	(34,687)
Loss for the year	(7,137)
At 31 December 2020	€ (41,824)

VALLETTA LOCAL COUNCIL

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 €	2019 €
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) for the year	(7,137)	(16,369)
Depreciation	96,116	105,499
Amortisation	8,929	8,629
	<hr/>	<hr/>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	97,908	97,759
(Increase) in receivables	(69,711)	(80,846)
(Decrease)/ increase in payables	(54,737)	164,502
Cash (used in)/ generated from operating activities	<hr/> (26,540) <hr/>	<hr/> 181,415 <hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(193,690)	(174,643)
Purchase of intangible assets	(561)	(8,968)
Government grants received	247,548	106,484
Cash generated from/ (used in) investing activities	<hr/> 53,297 <hr/>	<hr/> (77,127) <hr/>
Net movement in cash and cash equivalents	<hr/> 26,757 <hr/>	<hr/> 104,288 <hr/>
Cash and cash equivalents at beginning of year	8,960	(95,328)
Cash and cash equivalents at end of year	<hr/> € 35,717 <hr/>	<hr/> € 8,960 <hr/>

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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 14 July 2021. 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

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 2020

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

Effective date of IBOR reform Phase 1 amendments

On 26 September 2019, the IASB issued 'Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)' as a first reaction to the potential effects the IBOR reform could have on financial reporting. The amendments are effective for annual reporting periods beginning on or after 1 January 2020.

Effective date of new materiality definition

On 31 October 2018, the IASB issued 'Definition of Material (Amendments to IAS 1 and IAS 8)' to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective annual reporting periods beginning on or after 1 January 2020.

Effective date of updated references to the Conceptual Framework

Together with the revised 'Conceptual Framework' published in March 2018, the IASB also issued 'Amendments to References to the Conceptual Framework in IFRS Standards'. The amendments are effective for annual periods beginning on or after 1 January 2020.

Effective date of IFRS 3 amendments

On 22 October 2018, the IASB issued 'Definition of a Business (Amendments to IFRS 3)' aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

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

At the date of authorisation of these financial statements, several new, but not yet 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. The Council anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the 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.

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(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.

(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

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

(d) Property, plant and equipment (continued)

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.

(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.

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

(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.

(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.

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

(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.

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.

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

(n) Financial instruments (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 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'.

(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.

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

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

	2020	2019
	€	€
In terms of section 55 of the Local Council Act	918,314	892,189
Other supplementary Government Income	112,938	16,000
EU funds and projects	-	56,990
	<u>1,031,252</u>	<u>965,179</u>

4 LOCAL ENFORCEMENT INCOME

	2020	2019
	€	€
Administrative charges under LES system	<u>€ 6,445</u>	<u>€ 8,896</u>

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

5 GENERAL INCOME

	2020	2019
	€	€
CVA Income	27,000	27,000
Income from permits	211,011	222,881
Income from organic waste	148,208	149,243
Other income	24,618	25,871
	<u>€ 410,837</u>	<u>€ 424,995</u>

6 PERSONNEL EMOLUMENTS

	2020	2019
	€	€
Mayor's Allowance	15,027	12,851
Councillors' allowance	17,800	12,900
Executive secretary salary and allowance	36,046	35,005
Employees' salaries	164,668	173,329
Social Security Contributions	16,117	15,715
	<u>€ 249,658</u>	<u>€ 249,800</u>
Number of employees	8	8
Mayor	1	1
Councillors	6	6
	<u>15</u>	<u>15</u>
Average number of employees		

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

7 OPERATIONS AND MAINTENANCE

	2020	2019
	€	€
Repairs and upkeep:		
Road/ street pavements	-	2,425
Signs	5,679	5,127
Road Markings	696	2,138
Road and steet repairs	47,145	47,058
	<u>€ 53,520</u>	<u>€ 56,748</u>
Contractual Services:		
Organic waste Refuse Collection	148,208	133,106
Recycling waste Refuse Collection	88,144	14,092
Mixed waste Refuse Collection	262,027	255,136
Bulky Refuse Collection	19,550	19,100
Tipping fees	92,292	88,874
Road and street cleaning	203,743	221,237
Cleaning – council premises	5,250	8,683
Cleaning and maintenance - parks & gardens	45,226	51,140
Street lighting	19,567	12,983
	<u>884,007</u>	<u>804,351</u>
Total operations and maintenance costs	<u>€ 937,527</u>	<u>€ 861,099</u>

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

8 ADMINISTRATION AND OTHER EXPENDITURE

	2020	2019
	€	€
Bank interest and charges	980	1,460
Cultural, conference and social events	35,243	68,549
Donations	-	2,600
Information Services	-	1,270
Insurance coverage	5,484	6,932
LES Expenses	-	1,138
Office services	19,974	24,244
Professional services	17,890	10,569
Data protection officer	8,435	-
Information technology expenses	7,845	6,438
Accountancy services	7,045	7,605
Legal services	7,120	8,001
Security services	5,709	-
Rent	10,158	12,209
Sundry expenses	2,551	1,547
Subscriptions	151	2,572
Training	19,839	6,195
Transport	142	3,096
Travel	-	4,917
Utilities	14,875	21,089
	<u>€ 163,441</u>	<u>€ 190,431</u>

9 DEPRECIATION AND IMPAIRMENT

Amortisation	8,929	8,629
Depreciation	96,116	105,499
	<u>€ 105,045</u>	<u>€ 114,128</u>

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

10 PROPERTY, PLANT AND EQUIPMENT

Cost	Assets under Construction		Plants	Motor Vehicles	Urban Improvements	Plant & Machinery	Office Furniture	Computer Equipment	Special Programmes	Total
	€	€								
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	5,672	6,500	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	-	96,116
As at 31/12/20	-	8,900	5,672	1,192	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 2020

10 PROPERTY, PLANT AND EQUIPMENT

	Assets under Construction	New Street Signs	Plants	Urban Improvements	Plant & Machinery	Office Furniture	Computer Equipment	Special Programmes	Total
	€	€	€	€	€	€	€	€	€
<u>Cost</u>									
As at 01/01/19	2,815	8,900	-	2,616,865	56,743	55,391	10,278	194,601	2,945,593
Additions	106,484	-	5,672	43,625	2,491	14,940	1,431	-	174,643
As at 31/12/19	109,299	8,900	5,672	2,660,490	59,234	70,331	11,709	194,601	3,120,236
<u>Grants</u>									
As at 01/01/19	-	-	-	1,154,352	-	-	-	-	1,154,352
Additions	-	-	-	-	-	-	-	-	-
As at 31/12/2019	-	-	-	1,154,352	-	-	-	-	1,154,352
<u>Depreciation</u>									
As at 01/01/19	-	8,900	-	1,082,547	52,079	31,524	1,664	194,601	1,371,315
Charge for the year	-	-	5,672	89,419	2,391	5,228	2,789	-	105,499
As at 31/12/19	-	8,900	5,672	1,171,966	54,470	36,752	4,453	194,601	1,476,814
<u>Net Book Value</u>									
As at 31/12/19	€ 109,299	€ -	€ -	€ 334,172	€ 4,764	€ 33,579	€ 7,256	€ -	€ 489,070

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

11 INTANGIBLE FIXED ASSET

	Website Costs €	Application (Vatis) €	Computer software €	Total €
<u>Cost</u>				
As at 01/01/19	-	26,000	5,681	31,681
Additions	8,968	-	-	8,968
As at 01/01/20	8,968	26,000	5,681	40,649
Additions	-	-	561	561
As at 31/12/20	€ 8,968	€ 26,000	€ 6,242	€ 41,210
<u>Amortization</u>				
As at 01/01/19	-	8,667	4,977	13,644
Charge for the year	1,495	6,500	634	8,629
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 31/12/20	€ 3,737	€ 21,667	€ 5,798	€ 31,202
<u>Net Book Value</u>				
As at 31/12/20	€ 5,231	€ 4,333	€ 444	€ 10,008
As at 31/12/19	€ 7,473	€ 10,833	€ 70	€ 18,376

12 RECEIVABLES

	2020 €	2019 €
Receivables	185,480	194,389
Debit supplier balances	-	2,741
Prepayments and accrued income	107,297	25,935
	€ 292,777	€ 223,065

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

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

12 RECEIVABLES (continued)

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 € 130,138 (2019: € 21,866) 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:

	2020 €	2019 €
Not more than 3 months	44,736	-
More than 3 months but not more than 6 months	40,400	-
More than 6 months	45,002	21,866
	<u>€ 130,138</u>	<u>€ 21,866</u>

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

	2020 €	2019 €
Balance at 1 January	428,788	446,043
Decrease in provision for LES debtors	(2,135)	(17,255)
Balance at 31 December	<u>€ 426,653</u>	<u>€ 428,788</u>

13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	2020 €	2019 €
Bank balances	37,642	17,049
Bank balances overdrawn	(1,925)	(8,089)
Cash and cash equivalents	<u>35,717</u>	<u>8,960</u>
Transfer to current liabilities (note 14)	1,925	8,089
Cash at hand and in bank	<u>€ 37,642</u>	<u>€ 17,049</u>

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

13 CASH AND CASH EQUIVALENTS (continued)

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

14 TRADE AND OTHER PAYABLES

	2020	2019
	€	€
CURRENT PAYABLES		
Payables	456,691	568,445
Accruals	22,269	22,256
National insurance contributions	51,206	46,407
Bank balances overdrawn (note 13)	1,925	8,089
Grants received in advance	30,566	30,566
Deferred income	158,690	106,484
Financial liabilities	<u>€ 721,347</u>	<u>€ 782,247</u>

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

15 CAPITAL COMMITMENTS

	2020	2019
	€	€
Approved but not contracted for	-	-
Approved and contracted for	158,690	181,034
	<u>€ 158,690</u>	<u>€ 181,034</u>

16 CONTINGENT LIABILITIES

	2020	2019
	€	€
Claims by third parties	<u>€ 120,000</u>	<u>€ 134,000</u>

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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:

	2020	2019
	€	€
Annual financial allocation	€ 918,314	€ 892,189

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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	2020 €	2019 €
Classes of financial assets – carrying amounts			
Trade and other receivables	12	292,777	223,065
Cash and cash equivalents	13	37,642	17,049
		<u>€ 330,419</u>	<u>€ 240,114</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 2020

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 2020 the council's financial liabilities have contractual maturities which are summarised below:

Current within 1 year:

	2020	2019
	€	€
Payables	456,691	568,445
Accruals	22,269	22,256
National insurance outstanding	51,206	46,407
Bank balances overdrawn	1,925	8,089
Grants received in advance	30,566	30,566
Deferred income	158,690	106,484
	<u>€ 721,347</u>	<u>€ 782,247</u>

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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:

	2020 €	2019 €
Current assets		
Loans and receivables:		
Trade and other receivables	292,777	223,065
Cash and cash equivalents	37,642	17,049
	<u>€ 330,419</u>	<u>€ 240,114</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	456,691	568,445
Accruals	22,269	22,256
National insurance contributions	51,206	46,407
Bank balance overdawn	1,925	8,089
Grants received in advance	30,566	30,566
Deferred income	158,690	106,484
	<u>€ 721,347</u>	<u>€ 782,247</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 € (390,928) (2019 - € (542,133)) 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.