

**SANTA LUCIJA LOCAL
COUNCIL**

Report and Financial Statements

For the year ended 31 December 2020

*Prepared by: Ms Josianne Debono CPA
Obo Dconsulta Ltd,
(October 2021)*

SANTA LUCIJA LOCAL COUNCIL

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SANTA LUCIJA LOCAL COUNCIL


STATEMENT OF COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S RESPONSIBILITIES

For the year ended 31 December 2020

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

The Executive Secretary is responsible to ensure that an appropriate system of internal control is in operation, to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, 1993, the Local Council (Financial) Regulations, 1993, and the policies, systems and time scales referred to in the Local Council (Financial) Procedures, 1996. The Executive Secretary is also responsible to provide reasonable assurance that the assets of the Council are properly safeguarded, that fraud and other irregularities will be detected and that the operations of the Council are properly conducted in accordance with the Local Councils Act, 1993.

This statement was approved by the Council on Saturday 23/10/21 and signed on its behalf by:



Charmaine St. John
Mayor



Maria Dolores Baldacchino
Deputy Executive Secretary

SANTA LUCIJA LOCAL COUNCIL

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

		Year Ended	Year Ended
	Notes	2020	2019
		€	€
Income			
Funds received from Central Government	4	414,078	369,878
Income from Local Enforcement System	5	1,351	2,119
Income raised under Byelaws	6	556	1,278
General Income	7	10,928	47,033
		<u>426,913</u>	<u>420,308</u>
Expenditure			
Personnel emoluments	8	116,852	114,518
Operations and maintenance	9	215,424	159,450
Administrative and other expenditure	10	140,782	168,281
		<u>473,058</u>	<u>442,249</u>
Operating Deficit for the year		<u>(46,145)</u>	<u>(21,941)</u>
Investment income	11	25	25
Finance costs	11	(125)	(74)
		<u>(100)</u>	<u>(49)</u>
Deficit for the year	3	<u>(46,245)</u>	<u>(21,990)</u>

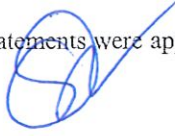
The notes on pages 6 to 26 form an integral part of these financial statements

SANTA LUCIJA LOCAL COUNCIL


STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Notes	Year Ended 2020 €	Year Ended 2019 €
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	12	163,002	207,111
Deferred expenditure		-	10,421
		<u>163,002</u>	<u>217,532</u>
<i>Current Assets</i>			
Inventories	13	4,218	4,230
Trade and other receivables	14	34,722	27,634
Cash and cash equivalents	15	231,919	229,911
		<u>270,859</u>	<u>261,775</u>
Total assets		<u><u>433,861</u></u>	<u><u>479,307</u></u>
Reserves and liabilities			
<i>Reserves</i>			
Retained funds		313,658	359,903
<i>Non-current liabilities</i>			
Trade and other payables	17	14,022	25,876
		<u>14,022</u>	<u>25,876</u>
<i>Current liabilities</i>			
Trade and other payables	17	106,181	93,528
		<u>106,181</u>	<u>93,528</u>
Total liabilities		<u><u>120,203</u></u>	<u><u>119,404</u></u>
Total reserves and liabilities		<u><u>433,861</u></u>	<u><u>479,307</u></u>

The financial statements were approved by the Council on Saturday 23/10/21 and signed on its behalf by:



Charmaine St. John
Mayor



Maria Dolores Baldacchino
Deputy Executive Secretary

The notes on pages 6 to 26 form an integral part of these financial statements.

SANTA LUCIJA LOCAL COUNCIL

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Retained Funds €	Total Funds €
At 1 January 2019	381,893	381,893
Deficit for the year	(21,990)	(21,990)
Total comprehensive expense	(21,990)	(21,990)
At 31 December 2019	359,903	359,903
At 1 January 2020	359,903	359,903
Deficit for the year	(46,245)	(46,245)
Total comprehensive expense	(46,245)	(46,245)
At 31 December 2020	313,658	313,658

The notes on pages 6 to 26 form an integral part of these financial statements.

SANTA LUCIJA LOCAL COUNCIL

STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	Note	2020	2019
		€	€
Cash flows from operating activities			
Deficit for the year		(46,245)	(21,990)
<i>Adjustments for:</i>			
Depreciation		78,494	84,353
Provision for doubtful debts		(2,516)	5,228
Interest payable		125	74
Interest receivable		(25)	(25)
Operating Surplus before working capital changes		29,833	67,640
<i>Movements in working capital:</i>			
Movement in inventories		12	(127)
Movement in trade and other receivables		5,849	(13,346)
Movement in trade and other payables		799	(4,939)
Net cash flows generated from operating activities		36,493	49,228
Cash flows from investing activities			
Purchase of property, plant and equipment		(36,958)	(109,294)
Interest paid		(125)	(74)
Interest received		25	25
Net cash flows used in investing activities		(37,058)	(109,343)
Cash flows from financing activities			
Grants received		2,573	76,284
Net cash flows generated from financing activities		2,573	76,284
Net movement in cash and cash equivalents		2,008	16,169
Cash and cash equivalents at beginning of year		229,911	213,742
Cash and equivalents at end of year	15	231,919	229,911

The notes on pages 6 to 26 form an integral part of these financial statements.

SANTA LUCIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. General Information

The Santa Lucija Local Council is a local authority of Malta set up in accordance with the Local Councils Act (1993). The office of the Local Council is situated at 5/6, Binja tal-Faqqani, Trejjet il-Girasol, Santa Lucija SLC 1050, Malta. These financial statements were approved for issue by the Council Members on _____. The Local Council's presentations as well as functional currency are denominated in Euro (€). Its ultimate controlling party is the Department for Local Government within the Ministry of Justice, Culture and Local Government (MJCL).

2. Accounting Policies and Reporting Procedures

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

Accounting Convention

These financial statements are prepared under the historical cost convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act, 1993 (Chap. 363), the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures, 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards, as adopted by the EU.

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, 1993 (Cap 363).

Fair value measurements

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

2. Accounting Policies and Reporting Procedures - continued

Standards, amendments and interpretations that are effective from 1 January 2020

Certain new standards, amendments and interpretations to existing standards have been published and effective for the current period, however these changes are not expected to have a material effect on the Local Council's financial statements. These include:

- IFRS 4 "Insurance Contracts" applies, with limited exceptions, to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds. In light of the IASB's comprehensive project on insurance contracts, the standard provides a temporary exemption from the requirements of some other IFRSs, including the requirement to consider IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" when selecting accounting policies for insurance contracts.
- IFRS 7 "Financial Instruments: Disclosures" requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters.
- The final version of IFRS 9 "Financial Instruments" issued in July 2014 is the IASB's replacement of IAS 39 "Financial Instruments: Recognition and Measurement". The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.
- IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained.
- IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis.
- IAS 39 "Financial Instruments: Recognition and Measurement" outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when an entity becomes a party to the contractual provisions of the instrument and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortized cost or fair value). Special rules apply to embedded derivatives and hedging instruments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

2. Accounting Policies and Reporting Procedures - continued

Standards, amendments and interpretations that are not yet effective

The following standards and amendments to existing standards have been published and are mandatory (as applicable) for the Local Council's accounting periods beginning on or after 1 January 2021 or later periods and the Local Council has not yet early adopted them:

- IFRS 1 – First-time Adoption of International Financial Reporting Standards – effective on or after 1 January 2022
- IAS 17 – Property, Plant and Equipment – effective on or after 1 January 2022
- IAS 37 – Provisions, Contingent Liabilities and Contingent Assets effective on or after 1 January 2022
- IFRS 17 – Insurance Contracts - effective on or after 1 January 2023
- IAS 1 "Presentation of Financial Statements" - effective on or after 1 January 2023

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Local Council.

Leases

The Local Council as lessee

The Local Council assesses whether a contract is or contains a lease, at inception of the contract. The Local Council recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Local Council recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Local Council uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.
- The amount expected to be payable by the lessee under residual value guarantees.
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

2. Accounting Policies and Reporting Procedures - continued

Leases - continued

The Local Council remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The right-of-use assets are presented as a separate line in the statement of financial position. The Local Council applies IAS 36 to determine whether a right-of-use asset is impaired.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, impairment and grants received for specific projects (which grants were treated through the balance sheet approach). Depreciation is calculated on a monthly basis using the **straight-line method of depreciation** at rates estimated to write down the cost of all assets over their expected useful life, other than land and trees, as follows:

	Rates in %
Land	0
Trees	0
Buildings	1
Office Furniture & Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Programmes (Projects)	10
Office Equipment	20
Computer Equipment	25
Motor Vehicles	20
Plant and Machinery	20
Road/Street Signs	100
Litter Bins	100
Playground Equipment	100
Street Lighting	100
Street Mirrors	100
Plants	100

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

2. Accounting Policies and Reporting Procedures - continued

Property, plant and equipment - continued

Up to the year ending 31st December 2017, depreciation was calculated using the reducing balance method. The change in the depreciation method has been affected according to the instructions in the DLG Directive 1/2017.

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 surplus. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each year end. 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 Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit or Loss and Other Comprehensive Income during the financial year in which they are incurred.

Impairment of property, plant and equipment

At the end of each reporting year, the Council reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Council estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

2. Accounting Policies and Reporting Procedures - continued

Impairment of financial assets other than inventories

At the end of each reporting year, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

In the case of financial assets that are carried at amortised cost, objective evidence of impairment includes observable data about the following loss events - significant difficulty of the issuer (or counterparty) and/or breach of contract.

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

For loans and receivables or, if there is objective evidence that an impairment loss has been incurred, the loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

In the case of other assets tested for impairment, the recoverable amount is the higher of fair value less costs to sell (which is the amount obtainable from sale at arm's length transaction between knowledgeable, willing parties, less the costs of disposal) and value in use (which is the present value of the future cash flows expected to be derived, discounted using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Impairment losses are recognised immediately in the statement of comprehensive income, unless the asset is carried at a re-valued amount, in which case, the impairment loss is recognised directly against the asset's revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for the asset.

For loans and receivables, if, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised; the previously recognised impairment loss is reversed directly.

In the case of assets tested for impairment, an impairment loss recognised in a prior period is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but in a manner, that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

Impairment reversals are recognised immediately in the comprehensive income statement, unless the asset is carried at a re-valued amount, in which case, the impairment reversal is recognised directly in reserves, unless an impairment loss on the same asset was previously recognised in the comprehensive income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

2. Accounting Policies and Reporting Procedures - continued

Cash and cash equivalents

Cash and cash equivalents are carried in the Statement of Financial Position at face value. For the purpose of the Statement of Cash flows, cash and cash equivalents comprise cash in hand and balances held at banks.

Receivables

Receivables are recognised initially at the transaction price, less provision for impairment. A provision for impairment is established when there is objective evidence that the Council will not be able to collect all amounts receivable. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount to be received is impaired. Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Related Parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24 – ‘Related Party Disclosure.’

Income recognition

Income in general is stated when there is reasonable certainty that the income would be receivable and thus can be accrued for. Other income such as that derived from the organisation of courses, cultural, sporting and social activities is only recognised on a cash basis.

Income from investment activities is recognised when the rights of receipt have been established.

Interest income from financial assets is recognised when it is probable that the economic benefits will flow to the Council and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Government grants

Government grants relating to operating expenditure are recognised in the Statement of Comprehensive income in the same period that the related expenditure is incurred.

Government grants relating to the purchase of property, plant and equipment are accounted for using the capital approach; and are thus deducted from the carrying amount of the relative non-current asset.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

2. Accounting Policies and Reporting Procedures - continued

Government grants – continued

Up to the year ended 31st December 2017, government grants were accounted for using the income approach according to IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance.” On 1st January 2018, the capital approach, according to IAS 20, has been adopted, in line with the directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting policy, and; according to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors,” it has been accounted for retrospectively.

Government grants are not recognised until there is reasonable assurance that the Council will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Council with no future related costs are recognised in statement of comprehensive income in the year in which they become receivable.

Financial instruments

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

Financial assets are de-recognised 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.

Financial liabilities are de-recognised when they are extinguished, discharged, cancelled or expired. Financial assets and financial liabilities are measured initially at fair value plus transaction costs. Financial assets and financial liabilities are measured subsequently as described below:

Financial assets

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

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss.

Loans and 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

2. Accounting Policies and Reporting Procedures - continued

Financial instruments - continued

Loans and receivables

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 company's trade receivables and cash and cash equivalents 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 counter party default rates for identified group. Impairment of 'trade receivables' is presented within 'other expenses'.

Financial liabilities

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

Foreign currencies

Functional and presentation currency

These financial statements are presented in Euro (€), which is the Local Council's functional and presentation currency. In preparing the financial statements of the Council, transactions in currencies other than the Council's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting year, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical costs in a foreign currency are not retranslated.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for the intended use or sale.

Investment income on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in Total Comprehensive Income for the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

2. Accounting Policies and Reporting Procedures - continued

Payables

Payables and accrued expenditure are recognised initially at the transaction price and subsequently measured at amortised cost. The difference between the proceeds and the amount payable is recognised over the period of the payable using the effective interest method.

Judgements in applying accounting policies and key sources of estimating uncertainty

In the process of applying the Council's accounting policies, the Council Members have made no judgements which can significantly affect the amounts recognised in the financial statements.

At the end of the reporting year, except as disclosed in Note 22, there were no key assumptions concerning the future, or any other key sources of estimating uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Council has a present obligation (legal or constructive) as a result of a past event, it is probable that the Council will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. (Deficit) for the year

(Deficit) for the year is stated after charging:

	2020	2019
	€	€
Personnel Emoluments (Note 8)	116,852	114,518
Depreciation on property, plant and equipment (Note 12)	78,494	84,353
	<u>78,494</u>	<u>84,353</u>

4. Funds Received from Central Government

	2020	2019
	€	€
In terms of section 55 of the Local Councils Act, 1993	362,713	353,142
Other supplementary government income	-	1,041
Other government income	51,365	15,695
	<u>414,078</u>	<u>369,878</u>

5. Income from Local Enforcement System

	2020	2019
	€	€
Contraventions - note (i)	1,351	2,119
	<u>1,351</u>	<u>2,119</u>

(i) In accordance with the Local Enforcement System (LES) issued by the Ministry by virtue of Section 72 of the Local Councils Act, 1993, the income relating to contraventions was delegated to the local councils through Legal Notice 32 of 2000.

- The recording of income from contraventions, up to the 31 August 2011, was based on cash received from the Joint Committee.
- As from the 1 September 2011 the contraventions previously accruing to the Council started accruing in favour of the 'Regjun Nofsinhar'. The Council's income from the Local Enforcement System therefore started reflecting two revenue streams as of that date. The revenue streams are as follows:
 - a) Receipts of funds from the Joint Committee up to the 31 August 2011;
 - b) 10% on the contraventions accruing to all Regional Committees that were settled at the Council's cash point.

SANTA LUCIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. Income raised under Bye-Laws

	2020	2019
	€	€
Contributions	556	1,278
	<u>556</u>	<u>1,278</u>

7. General Income

	2020	2019
	€	€
Permits	1,097	812
Other General income	9,831	46,221
	<u>10,928</u>	<u>47,033</u>

8. Personnel Emoluments

	2020	2019
	€	€
<i>Personnel emoluments include:</i>		
Mayor's Honoraria	12,004	10,029
Council Members' Allowance	13,000	8,522
Executive Secretary's Salary	31,707	30,575
Employees' Salaries	53,893	58,361
Social Security Contributions	6,248	7,031
	<u>116,852</u>	<u>114,518</u>

SANTA LUCIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

9. Operations and Maintenance

	2020	2019
	€	€
<i>Operations and maintenance include:</i>		
Repairs and Upkeep		
Road Patching, Markings & signs	780	1,916
Other Repairs & Upkeep	43,166	39,123
Council Property	-	47
	<u>43,946</u>	<u>41,086</u>
Contractual Services		
Waste Disposal	4,461	7,487
Refuse Collection	36,276	28,060
Bulky Refuse Collection	19,744	16,233
Road and Street Cleaning	34,467	13,499
Cleaning and Maintenance – Parks and Gardens	22,491	24,832
Cleaning and Maintenance – Public Conveniences	25,838	10,939
Cleaning Council Premises	1,518	3,080
Studies & Consultations	568	1,050
Street Lighting	13,535	10,920
LES Related expenses	2,516	-
Other Contractual Service	10,064	2,264
	<u>171,478</u>	<u>118,364</u>
Total Operations and Maintenance	<u>215,424</u>	<u>159,450</u>

SANTA LUCIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

10. Administrative and Other Expenses

	2020	2019
	€	€
Utilities	7,516	8,150
Operating Materials & Supplies	7,438	9,468
Uniforms	177	693
Conference and participation expenses	86	2,051
Office Services	5,821	4,976
Transport expenses	402	976
Training expenses	-	40
Travelling expenses	-	3,614
Insurance Coverage	1,620	1,752
Bank Charges	183	185
Information services	150	1,587
Library expenses	2,124	-
Professional services (<i>incl. other support services</i>)	15,204	14,120
ICT expenses	6,295	8,604
Community Services and Social Events	11,522	15,728
Sundry Minor Expenses	296	195
Rent	5,970	6,561
(Decrease)/Increase in Provision for doubtful debts	(2,516)	5,228
Depreciation	78,494	84,353
	<u>140,782</u>	<u>168,281</u>

11. Finance Income and cost

11.1 Investment Income

	2020	2019
	€	€
Bank interest receivable	<u>25</u>	<u>25</u>

11.2 Finance costs

	2020	2019
	€	€
Loan and bank interest paid	<u>125</u>	<u>74</u>

SANTA LUCIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

12. Property, plant and equipment

	€	Council Premises	Construction Works & Special Programmes	Office Furniture & Fittings	New Street Signs	Urban Improvements	Office & Computer Equipment	Plant & machinery	Street Paving	Assets Under Construction	Total
	€	€	€	€	€	€	€	€	€	€	€
Cost											
At 1 January 2020	31,447	926,443	42,000	19,722	98,154	48,541	26,709	121,395	-	1,314,411	
Additions	-	-	517	-	5,874	10,336	621	-	19,637	36,958	
At 31 December 2020	31,447	926,443	42,517	19,722	104,001	58,877	27,330	121,395	19,637	1,351,369	
Grants											
At 1 January 2020	-	381,374	-	-	-	5,733	4,700	-	-	-	391,807
Additions	-	-	-	-	-	2,573	-	-	-	-	2,573
At 31 December 2020	-	381,374	-	-	-	8,306	4,700	-	-	-	394,380
Depreciation											
At 1 January 2020	9,501	400,422	27,741	19,722	82,364	38,569	20,817	116,357	-	-	715,493
Charge for the year	3,145	54,496	3,176	-	10,399	1,882	358	5,038	-	-	78,494
At 31 December 2020	12,646	454,918	30,917	19,722	92,763	40,451	21,175	121,395	-	-	793,987
N.B.V. at 31 December 2020	18,801	90,151	11,600	-	11,238	10,120	1,455	-	-	19,637	163,002

SANTA LUCIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

12. Property, plant and equipment – continued

Cost	Council Premises €	Construction Works & Special Programmes €	Office Furniture & Fittings €	New Street Signs €	Urban Improvement €	Office & Computer Equipment €	Plant & machinery €	Street Paving €	Assets Under Construction €	Total €
At 1 January 2019	31,447	838,854	40,070	19,722	98,154	46,004	25,969	121,395	-	1,221,615
Additions	-	87,589	1,930	-	-	2,537	740	-	-	92,796
At 31 December 2019	31,447	926,443	42,000	19,722	98,154	48,541	26,709	121,395	-	1,314,411
Grants										
At 1 January 2019	-	311,363	-	-	-	5,733	4,700	-	-	321,796
Additions	-	70,011	-	-	-	-	-	-	-	70,011
At 31 December 2019	-	381,374	-	-	-	5,733	4,700	-	-	391,807
Depreciation										
At 1 January 2019	6,356	347,390	24,596	19,722	72,550	36,008	20,300	104,218	-	631,140
Charge for the year	3,145	53,032	3,145	-	9,814	2,561	517	12,139	-	84,353
At 31 December 2019	9,501	400,422	27,741	19,722	82,364	38,569	20,817	116,357	-	715,493
N.B.V. at 31 December 2019	21,946	144,647	14,259	-	15,790	4,239	1,192	5,038	-	207,111

SANTA LUCIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

13. Inventories

Inventories consist of books and souvenirs held by the council at the end of the year.

14. Trade and Other Receivables

	2020	2019
	€	€
Falling due within One Year		
LES and trade receivables (i)	101,086	87,226
Provision for doubtful debts	(75,471)	(77,987)
	<u>25,615</u>	<u>9,239</u>
Other receivables	116	4,066
Prepayments	1,821	-
Accrued income	7,170	14,329
	<u>34,722</u>	<u>27,634</u>

- (i) LES debtors amount to €68,143. As these are all older than 2 years, the full amount has been provided for. Trade receivables are net of a provision for doubtful debts amounting to €7,328 for an amount due from Green MT and Water Services Corporation.

15. Cash and Cash Equivalents

Cash and cash equivalents in the cash flow statement comprise the following amounts in the Council's Statement of financial position:

	2020	2019
	€	€
Petty cash	134	5
Bank balances - Current accounts	181,785	179,906
Bank balances – Term deposits	50,000	50,000
	<u>231,919</u>	<u>229,911</u>

16. Deferred Income

As explained in Note 2 – Accounting policies and reporting procedures on Government Grants, as from 1 January 2018, reporting of grants have been changed from Income approach to Capital approach and government grants related to the purchase of property, plant and equipment are deducted from the carrying amount of the relative non-current asset. Therefore, in financial statements no deferred income is reported. Since this is a change in accounting policy according to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, it has been accounted for retrospectively.

SANTA LUCIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

17. Trade and Other Payables

	2020	2019
	€	€
<i>Amounts falling due within one year:</i>		
Trade payables	46,463	12,043
Other payables	7,052	6,273
Accruals for capital creditors (i)	11,855	16,498
Accruals	11,149	29,144
Deferred Income: Pre-financing for projects and CIES scheme	29,662	29,570
	<u>106,181</u>	<u>93,528</u>
<i>Amounts falling due after more than one year:</i>		
Long term capital creditors (ii)	<u>14,022</u>	<u>25,876</u>

- (i) Short-term accrual for capital creditor represents the amount payable to contractors for resurfacing works carried out at Triq Gulietta Lopez and Triq il-Gnien under the PPP scheme.
- (ii) Other amounts due relating to the project mentioned in (i) above which are now completed, amounts to €25,876 which are payable over a period of three (3) years and this amount is disclosed under Long Term payables.

18. Capital commitments

	2020	2019
	€	€
<i>Details of capital commitments at the accounting date are as follows:</i>		
(i) Approved but not yet contracted for	<u>80,850</u>	<u>87,420</u>
(ii) Contracted for and provided in the financial statements (see note below)	<u>25,877</u>	<u>42,374</u>

- (i) The amounts approved but not yet contracted includes a project for an Irrigation system which will be 85% funded as per Circular SPI/07/2019 and upgrading of basketball pitch which will also be 100% funded from Regional funds – a total of €30,850. Other commitments include a project entitled “Sebbah il- Lokalita” with a total commitment of €50,000 under UIF funds.
- (ii) The amounts contracted for and provided in financial statements related to commitments for road resurfacing works carried out in Triq Guljetta Lopez and Triq il-Gnien. These works form part of the PPP programme to be repayable over a period of nine (9) years and have been completed during 2015.

SANTA LUCIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

19. Contingent liabilities

As at 31 December 2020, the end of the reporting year, Santa Lucija Local council has no pending court cases and/or litigation which might result in a future contingent liability.

20. Related party transactions

Parties are related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The ultimate controlling party of the Santa Lucija Local council is the Local Councils Department within the Ministry of Justice, Culture and Local Government (MJCL).

All the Companies, Authorities and Agencies set up by the Central Government are also considered to be related parties to Santa Lucija Local council but do not have significant control. The Joint Committee (up to the 31 August 2011), All Regional Committees (from 1 September 2011), the Local Councils Association and the other Local Councils are also considered to be related parties.

During the year under review the Council carried out the following significant transactions with its related parties having significant control.

Name of Entity	2020	2019
	€	€
Department of Local Government – Annual Financial Allocation	<u>362,173</u>	<u>353,142</u>

The Council's activities expose it to a variety of financial risks, which include market risks, credit risk, liquidity risk and interest risk. The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Council's financial performance.

Where applicable, any significant changes in the Council's exposure to financial risks or manner in which the Council manages and measures these risks are disclosed below.

Where possible, the Council aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of risk exposure associated with the financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

With respect to credit risk, the receivables are monitored continuously for recoverability. Receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Known bad debts are therefore maintained to the lowest possible, thereby lowering as much as possible the concentration of credit risk.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

21. Financial Risk Management

Liquidity risk

The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and plans projects accordingly. The Council Members and Executive Secretary do not consider that it is significantly exposed to liquidity risk.

At 31 December 2020 and 31 December 2019, there were no contractual maturities on the financial liabilities of the Council. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the Statement of Financial Position.

Interest Rate risk

The Council's interest rate risk arises from the borrowings issued at variable rates expose the Council to cash flow interest rate risk. In general, the Council Members and Executive Secretary the Council's exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows are not deemed to be substantial in view of the nature of the assets and liabilities.

Credit risk

Credit risk is the risk of financial loss to the Council if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Council's cash at banks, receivables and due from related parties. The Local Council controls this credit risk through strict monitoring procedures and regular coordination with its related parties, with the result that the Local Council's exposure to impairment loss is not significant. The Local Council's maximum exposure to credit risk is the carrying amount of its financial assets.

	2020	2019
	€	€
Trade and other Receivables	34,722	27,634
Cash at bank	231,919	229,911
	<u>266,641</u>	<u>257,545</u>

The Local Council's cash at bank are placed with financial institutions of high credit standing. In the director's opinion, receivables are fully recoverable. Accordingly, the Local Council has no significant credit risk.

The council accounts for funds received and receivable from persons guilty of contraventions under the local enforcement system. The council is not responsible for the collection of the funds which is the responsibility of another central government department.

SANTA LUCIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

21. Financial Risk Management - continued

Capital management

The primary objectives of the Council's capital management are to ensure that it maintains its ability to continue as a going concern, to maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value and to meet the regulatory capital requirements at all times. The Local Council manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

Summary of financial assets and liabilities

The carrying amount of the council's financial assets and liabilities as recognised at the reporting dates unless revised are categorised as follows:

	2020	2019
	€	€
Current Assets		
Trade and other Receivables	34,722	27,634
Cash and cash equivalents	231,919	229,911
	<u>266,641</u>	<u>257,545</u>
	2020	2019
	€	€
Current Liabilities		
Trade and other payables	58,318	28,541
Other payables	7,052	6,273
Accruals	11,149	29,144
	<u>76,519</u>	<u>63,958</u>

22. Events after the reporting date

No other adjusting or significant non-adjusting events have occurred between the reporting date and the date of approval of the financial statements.

No other adjusting or significant non-adjusting events have occurred between the reporting date and the date of approval of the financial statements Saturday 23/10/21 by the council members.