

HAL-SAFI LOCAL COUNCIL
Report and Financial Statements for
the year ended 31 December 2020

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Obo Dconsulta Ltd,
(October 2021)

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HAL-SAFI 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 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 Deputy 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 Deputy 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 Deputy 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 Friday 22/10/21 and signed on its behalf by:



Johan Mula
Mayor



Maria Dolores Baldacchino
Executive Secretary

HAL-SAFI LOCAL COUNCIL

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the year ended 31 December 2020

	Notes	Year Ended 2020	Year Ended 2019
		€	€
Income			
Funds received from Central Government	3	301,950	280,431
Income raised under Council Byelaws	4	9,742	7,185
Income from Local Enforcement System	5	1,039	1,798
General and other Income	6	42,331	20,163
		<hr/>	<hr/>
		355,062	309,577
Expenditure			
Personnel emoluments	7	(95,596)	(90,454)
Operations and maintenance	8	(208,228)	(102,781)
Administrative and other expenditure	9	(72,425)	(82,741)
		<hr/>	<hr/>
		(376,249)	(275,976)
Operating (Deficit)/Surplus for the year		(21,187)	33,601
Finance income	10	5	43
Finance charge	11	(131)	(206)
		<hr/>	<hr/>
Net (Deficit)/Surplus for the year		(21,313)	33,438
		<hr/>	<hr/>
Total Comprehensive (Expense)/Income		(21,313)	33,438

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL-SAFI 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	299,693	273,626
		299,693	273,626
<i>Current assets</i>			
Trade and other receivables	13	42,630	68,200
Cash at bank and in hand	14	281,617	259,658
		324,247	327,858
Total assets		623,940	601,484
 Reserves and liabilities			
<i>Reserves</i>			
Retained Earnings		507,836	529,149
<i>Current liabilities</i>			
Short-term borrowings	15	5,877	29,254
Trade and other payables	16	110,227	43,081
		116,104	72,335
Total reserves and liabilities		623,940	601,484

The financial statements were approved by the Council on Friday 22/10/21 and signed on its behalf by:



Johan Mula
Mayor



Maria Dolores Baldacchino
Executive Secretary

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL-SAFI LOCAL COUNCIL

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Retained Earnings €	Total Earnings €
At 1 January 2019	495,711	495,711
Surplus for the year	33,438	33,438
Total comprehensive expense	<u>33,438</u>	<u>33,438</u>
At 31 December 2019	<u>529,149</u>	<u>529,149</u>
At 1 January 2020	529,149	529,149
Deficit for the year	(21,313)	(21,313)
Total comprehensive income	<u>507,836</u>	<u>507,836</u>
At 31 December 2020	<u>507,836</u>	<u>507,836</u>
Equity Interest	<u>507,836</u>	<u>507,836</u>

The notes on pages 6 to 27 form an integral part of these financial statements

HAL-SAFI LOCAL COUNCIL

STATEMENT OF CASH FLOWS For the year ended 31 December 2020

	Notes	2020	2019
		€	€
Cash flows from operating activities			
(Deficit)/Surplus for the year		(21,313)	33,438
<i>Adjustments for:</i>			
Depreciation		23,258	27,880
Decrease in provision for bad debts		(942)	
Interest receivable		(5)	(43)
Interest payable		131	206
		<u>1,128</u>	<u>61,481</u>
<i>Movements in working capital:</i>			
Decrease in receivables		26,512	8,533
Increase in payables		67,146	6,977
Net cash flows from operating activities		<u>94,786</u>	<u>76,991</u>
Cash flows used in investing activities			
Purchase of property, plant and equipment		(129,271)	(195,214)
Interest received		5	43
Interest paid		(131)	(206)
Net cash flows used in investing activities		<u>(129,397)</u>	<u>(195,377)</u>
Cash flows from financing activities			
Grants received		79,947	143,965
Net cash flows from financing activities		<u>79,947</u>	<u>143,965</u>
Net increase in cash and cash equivalents		<u>45,336</u>	<u>25,579</u>
Cash and cash equivalents at beginning of year		230,404	204,825
Cash and equivalents at end of year	14	<u>275,740</u>	<u>230,404</u>

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL-SAFI LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

1. General Information

The Safi 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 Dar il-Kunsill, Triq l-Iskola, Hal-Safi. These financial statements were approved for issue by the Council Members on the Friday 22/12/20. 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 Office of the Prime Minister.

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 (Chap. 363).

New and revised standards that are issued but not yet effective

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

HAL-SAFI LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

..... continued

2. Accounting Policies and Reporting Procedures – continued

New and revised standards that are issued but not yet effective (continued)

Amendments to IFRS 3 Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Additional guidance is provided that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

Amendments to References to the Conceptual Framework in IFRS Standards

The IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

The Council does not expect that the adoption of the amended Standards will have a material impact on the financial statements of 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.

HAL-SAFI LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

..... continued

2. Accounting Policies and Reporting Procedures – continued

Leases - continued

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.

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.

HAL-SAFI LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

..... continued

2. Accounting Policies and Reporting Procedures – continued

New and revised standards that are effective for the current period

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:

Property, plant and equipment

	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	Replacement basis
Litter Bins	Replacement basis
Playground Equipment	100
Street Lighting	100
Street Mirrors	Replacement basis
Plants	100

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating 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 Comprehensive Income during the financial year in which they are incurred.

HAL-SAFI LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

..... continued

2. Accounting Policies and Reporting Procedures – continued

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.

Tangible 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.

HAL-SAFI LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

..... Continued

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 year, 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 year 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 years.

HAL-SAFI LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

..... Continued

2. Accounting Policies and Reporting Procedures – continued

Impairment of financial assets other than inventories - continued

Impairment reversals are recognised immediately in the statement of comprehensive income, 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 statement of comprehensive income.

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 of general receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

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 International Accounting Standard No. 24.

HAL-SAFI LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

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2. Accounting Policies and Reporting Procedures – continued

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. 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 are recognised in statement of comprehensive income on a systematic basis over the years in which the Council recognises as expenses the related costs for which the grants are intended to compensate.

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.

HAL-SAFI LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

..... continued

2. Accounting Policies and Reporting Procedures – continued

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.

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 Council'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 each identified group. Impairment of 'trade receivables' is presented within 'administrative and other expenditure'.

Financial liabilities

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

HAL-SAFI LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

..... continued

2. Accounting Policies and Reporting Procedures – continued

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 year in which they are incurred.

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 20, 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.

HAL-SAFI LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

..... continued

2. Accounting Policies and Reporting Procedures – continued

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 year, considering 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 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.

HAL-SAFI LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

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3. Funds Received from Central Government

	2020	2019
	€	€
In terms of section 55 of the Local Councils Act, 1993	279,149	270,007
Supplementary Income	22,801	10,424
	<u>301,950</u>	<u>280,431</u>

4. Income raised under Council Byelaws

	2020	2019
	€	€
Income from Permits	8,304	5,264
Income from hire of football pitch	1,438	1,400
Income from Kiosks	-	521
	<u>9,742</u>	<u>7,185</u>

5. Income from Law Enforcement System

	2020	2019
	€	€
Contraventions	<u>1,039</u>	<u>1,798</u>

In accordance with the Law 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.

Up to the 31 August 2011, income from contraventions was based on cash received which represented 100% of the contravention.

As from the 1 September 2011 the contraventions previously accruing to the Council started accruing in favour of the 'Regjun Nofsinnhar'. The Council's income from the Law Enforcement System therefore started reflecting two revenue streams as of that date. The revenue streams are as follows:

- a) Receipts of funds accruing to the council 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.

HAL-SAFI LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

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6. General Income

	2020	2019
	€	€
Income from Community and cultural activities	670	2,113
Income from Local Regions	243	6,508
Income from Sponsorships	336	1,687
Income from Library services	850	-
Income from MEPA guarantee	-	275
Income from Wasteserv – Organic waste	1,000	10,006
Income from EU Funds	34,732	-
Other income	4,500	(426)
	<u>42,331</u>	<u>20,163</u>

7. Personnel emoluments

	2020	2019
	€	€
<i>Personnel emoluments include:</i>		
Mayor's Honoraria	10,404	11,436
Council Members' Allowance	13,000	7,329
Executive Salary	31,402	29,612
Employees' Salaries	35,147	36,332
Social Security Contribution	5,643	5,745
	<u>95,596</u>	<u>90,454</u>

HAL-SAFI LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

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8. Operations and maintenance

	2020	2019
	€	€
<i>Operations and maintenance include:</i>		
Repairs and Upkeep:		
Road and Street Pavements	6,599	1,491
Road signs and markings	3,244	3,907
Other Repairs & Upkeep	8,997	2,490
Public Property	89,774	165
Office furniture and equipment repairs	-	100
Plant & machinery and sundry repairs	3,215	5,092
Street Lighting	7,072	5,917
	<hr/> 118,901	<hr/> 19,162
Contractual Services:		
Waste Disposal	12,706	11,452
Refuse Collection	28,489	25,582
Bulky Refuse Collection	2,948	2,277
Hire of Open Skips	89	-
Road & Street Cleaning	17,099	17,099
Cleaning & Maintenance - Public Conveniences	3,900	3,970
Cleaning & Maintenance Soft Areas	2,516	3,283
Cleaning Council Premises	7,322	7,664
Other Contractual Service	13,928	12,292
LES related expenses	330	-
	<hr/> 89,327	<hr/> 83,619
Total Operations and Maintenance expenses	<hr/> 208,228	<hr/> 102,781

HAL-SAFI LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

..... continued

9. Administrative and other expenditure

	2020	2019
	€	€
Utilities	5,638	7,005
Operating materials and supplies	3,734	2,325
Participation fee national and EU organisations	355	1,812
Office services	5,035	3,539
Hire of transport	-	393
Transport expenses	2,663	2,525
Information services	285	323
Library expenses	2,733	743
Insurance coverage	1,409	1,414
Bank charges	141	74
Professional services	11,366	7,762
ICT expenses	2,456	1,546
Community services and social events	10,233	20,309
Sundry minor expenses	31	967
Rent	4,030	4,124
Depreciation	23,258	27,880
Decrease in Provision for bad debts (LES)	(942)	-
	<u>72,425</u>	<u>82,741</u>

10. Finance income

	2020	2019
	€	€
Bank interest receivable	<u>5</u>	<u>43</u>

11. Finance charge

	2020	2019
	€	€
Bank interest paid	<u>131</u>	<u>206</u>

HAL-SAFI LOCAL COUNCIL

**Notes to the Financial Statements
for the year ended 31 December 2020**

..... continued

12. Property, plant and equipment

	Assets Under Construction	Buildings & Improvements	Construction Works	Office Furniture & Fittings	New Street Signs	Urban. Improvements	Trees	Office & Computer Equip.	Plant & machinery	Special Programmes	Total
	€	€	€	€	€	€	€	€	€	€	€
Cost											
At 1 January 2020	(28,935)	267,132	279,876	50,184	18,611	222,919	1,031	52,992	16,807	311,428	1,192,045
Additions	5,220	-	8,081	961	-	2,937	-	3,191	-	-	20,390
Transfer to Income	28,935	-	-	-	-	-	-	-	-	-	28,935
At 31 December 2020	5,220	267,132	287,957	51,145	18,611	225,856	1,031	56,183	16,807	311,428	1,241,370
Grants											
At 1 January 2020	-	-	156,033	400	-	100,579	-	6,571	6,677	27,247	297,507
Additions	-	-	-	-	-	-	-	-	-	-	-
Transfer to Construction	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2020	-	-	156,033	400	-	100,579	-	6,571	6,677	27,247	297,507
Depreciation											
At 1 January 2020	-	42,523	82,216	35,732	18,611	104,414	-	44,832	8,403	284,181	620,912
Charge for the year	-	2,680	13,059	3,771	-	2,081	-	1,259	408	-	23,258
At 31 December 2020	-	45,203	95,275	39,503	18,611	106,495	-	46,091	8,811	284,181	644,170
N.B.V. at 31 December 2020	5,220	221,929	36,649	11,242	-	18,782	1,031	3,521	1,319	-	299,693

HAL-SAFI LOCAL COUNCIL

**Notes to the Financial Statements
for the year ended 31 December 2020**

..... continued

12. Property, plant and equipment - continued

	Assets Under Construction	Buildings & Improvements	Construction Works	Office Furniture & Fittings	New Street Signs	Urban. Improve- ments	Trees	Office & Computer Equip.	Plant & machinery	Special Programmes	Total
	€	€	€	€	€	€	€	€	€	€	€
Cost											
At 1 January 2019	141,800	267,132	121,280	48,599	18,611	161,139	1,031	52,154	15,457	311,428	1,138,631
Additions	-	-	129,661	1,585	-	61,780	-	838	1,350	-	195,214
Transfer to Construction	(141,800)	-	-	-	-	-	-	-	-	-	(141,800)
At 31 December 2019	-	267,132	250,941	50,184	18,611	222,919	1,031	52,992	16,807	311,428	1,192,045
Grants											
At 1 January 2019	126,452	-	26,700	400	-	57,850	-	5,733	6,677	27,247	251,059
Additions	-	-	129,333	-	-	42,729	-	838	-	-	172,900
Transfer to Construction	(126,452)	-	-	-	-	-	-	-	-	-	(126,452)
At 31 December 2019	-	-	156,033	400	-	100,579	-	6,571	6,677	27,247	297,507
Depreciation											
At 1 January 2019	-	39,843	71,128	32,067	18,611	94,806	-	44,213	8,183	284,181	593,032
Charge for the year	-	2,680	11,088	3,665	-	9,608	-	619	220	-	27,880
At 31 December 2019	-	42,523	82,216	35,732	18,611	104,414	-	44,832	8,403	284,181	620,912
N.B.V. at 31 December 2019	-	224,609	12,692	14,052	-	17,926	1,031	1,589	1,727	-	273,626

HAL-SAFI LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

13. Trade and other receivables

	2020	2019
	€	€
Falling due within One Year		
Receivables – LES (i)	90,949	92,833
Provision for doubtful debts – LES (i)	(90,949)	(92,833)
Trade receivables incl. Adv. Payments	19,194	8,835
Amounts owed by related parties	394	305
Other receivables	8,175	842
Prepayments and accrued income	14,867	58,218
	<u>42,630</u>	<u>68,200</u>

	2020	2019
	€	€
Falling due within One Year		
Within Credit period	10,680	2,503
Exceeding credit period but not impaired	17,083	6,637
Impaired and provided for	90,949	92,833
Provision for doubtful debts	(90,949)	(92,833)
	<u>27,763</u>	<u>9,140</u>

Local Enforcement System (LES) debtors amount to €90,949; these have been fully provided for. As at 31.12.2020, provision for doubtful debts amounts to €90,949 (2019: €92,833). At year end LES debtors which are two (2) years old or older have been fully provided for. All other receivables are within credit period allowed and receivable within 1 year.

HAL-SAFI LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

14. Cash and cash equivalents

Cash and cash equivalents in the Statement of cash flows comprise the following amounts:

	2020	2019
	€	€
Petty cash	120	22
Bank balances: Savings and current accounts	188,688	167,124
Bank balances: LES deposits account	81,795	81,498
Bank balances: football ground sinking fund account	11,014	11,014
Cash at bank and in hand	281,617	259,658
Less bank balances overdrawn (note 15)	(5,877)	(29,254)
	<u>275,740</u>	<u>230,404</u>

15. Short- term borrowings

	2020	2019
	€	€
Falling due within one year:		
Bank balances overdrawn	5,877	29,254

16. Trade and other Payables

	2020	2019
	€	€
Falling due within One Year		
Trade Payables	61,407	16,304
Other creditors	479	2,572
Accruals	8,370	11,774
Advance payment of Grant	28,506	-
Deferred income	11,465	12,431
	<u>110,227</u>	<u>43,081</u>

HAL-SAFI LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

17. Capital commitments

	2020	2019
	€	€
<i>Details of capital commitments at the accounting date are as follows:</i>		
(i) Contracted for and partly provided for (note (a))	<u>122,875</u>	-
(ii) Approved but not yet contracted for (note (b))	<u>72,702</u>	<u>71,265</u>

Capital Commitments refer to projects as follows:

- (a) Restoration of Gnien Sir Alexander Ball. The project is partly funded by MTA.
- (b) Promotion of Cultural Heritage and Development of Green Infrastructure project which has been selected for funding under the Rural Development Programme (2014 – 2020), Measure 4.4 of the Xlokk Local Development Strategy (M19.2). Funding for these projects will amount to €10,000 and €57,012 respectively.

18. Related party transactions

Parties are considered to be 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 Safi Local Council is the Local Councils Department within the Office of the Prime Minister.

All the companies, Authorities and Agencies set-up by the Central Government are also considered to be related parties to Safi Local Council but do not have significant control. 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 transactions with the following parties:

Name of Entity:	Nature of Relationship	
Department of Local Councils	Significant	
Regional Committee - Local Law Enforcement	No Control	
Bank of Valletta	No Control	
Department of Education	No Control	
Enemalta Corporation	No Control	
Local Councils Association	No Control	
Water Services Corporation	No Control	
Wasteserv Malta Limited	No Control	
Works Division - Director General Works	No Control	
	2020	2019
	€	€
Income - Annual Financial Allocation	<u>279,149</u>	<u>270,007</u>

HAL-SAFI LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

19. Financial Risk Management

The Council's activities expose it to a variety of financial risks that 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.

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.

Capital management

It is the policy of the council to maintain an adequate capital base in order to sustain the future development of the council and safeguard the ability of the council to continue operating. In this respect, the council monitors the operations and results of the council. The council is not subject to externally imposed capital requirements. There were no changes in the council's approach to capital management during the year.

Interest Rate risk

The Council's interest rate risk arises from the borrowings issued at variable rates which expose the Council to cash flow interest rate risk. In general, 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.

HAL-SAFI LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

19. Financial Risk Management – continued

Credit risk

Financial assets which potentially subject the Council to concentration of credit risk consist primarily of cash at bank and receivables. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any financial credit history. In this respect, credit with respect to receivables is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

Movement in provision for doubtful debts

	2020	2019
	€	€
Provision at 1 January	92,833	92,833
Movement	(1,884)	-
Provision at 31 December	<u>90,949</u>	<u>92,833</u>

Provision for doubtful debts is in respect of LES debtors. As at 31.12.2020, full provision has been made in this respect after correctly reflecting the amount due to the council in respect of LES as per Loqus (Datatrak) report.

20. Events after the reporting date

During the reporting year, the World Health Organisation declared the spread of Coronavirus Disease (COVID-19), a worldwide pandemic. COVID-19 is still having significant effects on global markets, supply chains, businesses, and communities. The Local Council Members' and Executive Secretary are monitoring the situation and taking action to safeguard the interests of the Local Council. To date the Local Council is operating as normal. The full impact of COVID-19 is still unknown and cannot be reasonably estimated as these events are still developing.

No other adjusting or significant non-adjusting events have occurred between the reporting date and the date of approval of the financial statements - Friday 22/10/21 by the council members.

