



San Pawl Il-Baħar Local Council

Annual Report and Financial Statements
31 December 2020

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

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

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Council (Financial) Regulations 1993, and the Local Council (Financial) Procedures 1996. The Executive Secretary is also responsible for safeguarding the assets of the Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Local Council on the 4 February 2021 and signed on its behalf by:



Alfred Grima
Mayor



Mariella Strout
Executive Secretary

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2020	2019
		€	€
Income			
Funds received from Central Government	3	2,214,166	2,064,990
Income raised under Local Enforcement System	5	13,920	18,173
General Income	6	153,537	138,000
Income from Bye Law	7	6,236	3,014
		<u>2,387,859</u>	<u>2,224,177</u>
Expenditure			
Personal emoluments	8	236,512	208,831
Operations and Maintenance	9	1,338,233	1,033,194
Administrative and other Expenditure	10	518,628	553,592
		<u>2,093,373</u>	<u>1,795,617</u>
Operating profit for the year		294,486	428,560
Investment Income	4	27	275
Profit for the year		294,513	428,835
Total comprehensive income for the year		294,513	428,835

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

Statement of Financial Position

	Notes	2020	2019
		€	€
ASSETS			
Non-current assets			
Intangible asset	11	1,400	1,243
Property, plant and equipment	12	927,478	1,167,897
Right of use asset	24	92,478	0
		1,021,356	1,169,140
Current assets			
Inventories	14	1,348	1,348
Receivables	13	1,152,368	1,026,342
Cash and cash equivalents	15	1,657,826	884,771
		2,811,542	1,912,461
Total Assets		3,832,898	3,081,601
Reserves			
Retained Fund		2,942,751	2,648,238
Non-Current Liabilities			
Payables	16	75,101	16,388
		75,101	16,388
Current Liabilities			
Payables	16	815,046	416,975
		815,046	416,975
Total Liabilities		890,147	433,363
Total Reserves and Liabilities		3,832,898	3,081,601

These financial statements were approved by the Local Council on the 4 February 2021 and are signed on its behalf by:



Alfred Grima
Mayor



Mariella Strout
Executive Secretary

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

Statement of Changes in Equity

	Retained Earnings €	Total €
Balance at 1 January 2019	2,219,403	2,219,403
Total comprehensive income for the year	428,835	428,835
Balance at 31 December 2019	2,648,238	2,648,238
Balance at 1 January 2020	2,648,238	2,648,238
Total comprehensive income for the year	294,513	294,513
Balance at 31 December 2020	2,942,751	2,942,751

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

Statement of Cash Flows

	Notes	2020	2019
		€	€
Cash flows from operating activities			
Profit for the year		294,513	428,835
Adjustments for:			
Depreciation	12	256,038	252,140
Amortisation charge	11	820	756
Depreciation on Right of use asset	24	20,177	-
Investment income receivable	4	(27)	(275)
Gain on disposal	10	(400)	-
		571,121	681,456
Surplus for the period before working capital movements		571,121	681,456
(Increase) in receivables		(126,026)	(69,218)
Decrease in Inventories		-	79
Increase/(Decrease) in payables		364,589	(414,702)
		809,684	197,615
Net cash generated from operating activities			
Cash flows used in investing activities			
Investment income receivable	4	27	275
Lease repayments		(20,460)	
Payment to acquire property, plant and equipment	12	(22,594)	(440,653)
Payment to acquire intangible asset	11	(977)	-
Proceeds from disposal of property, plant and equipment	10	400	-
Grants received	12	6,975	(131,101)
		(36,629)	(571,479)
Net cash (used in) investing activities			
Movement in cash and cash equivalents		773,055	(373,864)
Cash and cash equivalents at the beginning of the year		884,771	1,258,635
Cash and cash equivalents at the end of the year		1,657,826	884,771

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

1. Statutory Information

San Pawl Il-Baħar Local Council is the local authority of San Pawl Il-Baħar, Xemxija, Burmarrad, Wardija, Qawra, Bugibba, San Martin, Limbordin and part of Bidnija, setup in accordance with the Local Councils Act. The Office of the Local Council is situated at Triq San Pawl, San Pawl Il-Baħar.

2. Accounting policies

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

a. Basis of preparation

The financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap 363). The financial statements are prepared under the historical cost convention, in accordance to the requirements of International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

b. Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

However, in the opinion of the Council members, there are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

2. Accounting policies - continued**c. Application of new and revised international Financial Reporting Standards (IFRSs)****IFRS 16 Leases**

IFRS 16 introduced a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 superseded the lease guidance including IAS 17 Leases and the related interpretations.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees (i.e. on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating, cash flows; whereas under the IFRS 15 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2019, the Council has non-cancellable operating lease commitments, IAS 17 does not require the recognition of any right of use asset or liability for future payments for these leases, instead, certain information is disclosed as operating lease commitments. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Council will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16.

In contrast, for finance leases where the Council is a lessee, as the Council has already recognized an asset and a related finance lease liability for the lease arrangement, and in cases where the Council is a lessor (for both operating and finance leases), the members of the Council do not anticipate that the application of IFRS 16 will have a significant impact on the amounts recognized in the Council's financial statements.

d. New and revised IFRSs in issue but not yet effective

The Council has not applied the following new and revised IFRSs that have been issued but are not yet effective:

The Annual Improvements induce amendments to IFRS 1 and IAS 28 which are not yet mandatorily effective for the Council.

e. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the San Pawl Il-Baħar Local Council and the revenue can be reliably measured, regardless of when the payment is received.

Revenue is recognised upon transfer of funds from the Central Government when there are no significant uncertainties concerning the derivation of consideration or associated costs.

Interest income is recognised in the income statement as it accrued under finance income.

f. Functional and presentation currency

Items included in the Local Council's financial statements are measured using the currency of the primary economic environment in which the entity operates. The Local Council's financial statements are presented in Euro, which is the Local Council's functional currency.

g. Local Enforcement System

The amount disclosed in the financial statements under Local Enforcement Income represents the administrative charges to Regional Councils.

h. Intangible assets

Intangible assets comprise computer software. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of 25% using the straight-line method. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

2. Accounting policies - continued**i. Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated on a monthly basis using the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives as follows:

• Land	0%
• Trees	0%
• Buildings	1%
• Office furniture and fittings	7.5%-63.16%
• Construction works	10%-28.57%
• Urban Improvements (Street Furniture)	10%-75%
• Special Projects	10%-63.16%
• Office Equipment	20%-49.98%
• Motor Vehicles	20%-85.72%
• Plant and Machinery	20%-92.36%
• Plants	100%
• Computer Equipment	25%-85.70%
• Litter Bins	Replacement Basis
• Traffic and Road Signs	Replacement Basis
• Street Mirrors	Replacement Basis
• Street Lights	100%
• Playground Furniture	100%

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount, and are taken into account in determining operating profit.

An asset's carrying amount is written down immediately to its recoverable amount if it's carrying amount is greater than its estimated recoverable amount (Accounting policy (k)).

j. Impairment of assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

2. Accounting policies - continued**k. Amounts receivable**

Amounts receivable are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Amounts receivable are carried at original invoice amount less provisions made for impairment of these receivables. A provision for impairment of amount receivables is established when there is objective evidence that the Local Council will not be able to collect all amounts due according to the set original terms. The amount of provision is recognised in the Statement of Comprehensive Income. Bad debts are written off during the year in which they are identified.

l. Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

m. Profits and losses

Only profits that were realized at the date of the Statement of Financial Position are recognized in these Financial Statements. All foreseeable liabilities and potential losses arising up to the said date are accounted for even if they become apparent between the said date and the date on which the Financial Statements are approved.

n. Payables

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

o. Provisions

Provisions are recognised when the Local Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

p. Leases**Accounting policy applicable from 1 January 2019**

As from 1 January 2019, the council considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the council assesses whether the contract meets three key evaluations which are whether:

2. Accounting policies – continued**p. Leases – continued**

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the council
- the council has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the council has the right to direct the use of the identified asset throughout the period of use. The council assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases

At lease commencement date, the council recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the council, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The council depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The council also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the council measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the council's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The council has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

2. Accounting policies - continued**p. Leases – continued****Accounting policy applicable before 1 January 2019**

The council's leases were classified as operating leases. Lease classification was made at the inception of the lease, which was the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.

Rentals payable under operating leases, less the aggregate benefit of incentives received from the lessor, were recognized as an expense in profit or loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

q. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Local Council has an unconditional right to defer settlement of the liability for at least 12 months from the end of the reporting period.

r. Capital Management

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objectives are to ensure:

- that the Council's ability to continue as a going concern is still valid and
- that the Council maintains a positive working capital ratio.

To achieve the above, the Council carries out a quarterly review of the working capital ratio ('Financial Situation Indicator'). The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

s. Financial instruments

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs. They are measured subsequently as described below.

2. Accounting policies - continued**t. Financial assets**

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

Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets as described below.

All income and expenses relating to loans and receivables are presented within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administration and other expenditure'.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Council's other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considerable to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counter party and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

u. Financial liabilities

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

All interest-related charges are included within finance costs.

3. Funds Received from Central Government

	2020 €	2019 €
In terms of Section 55 of the Local Councils Act (Cap 363)	1,994,699	1,853,396
Other Government Income	152,414	211,594
Other supplementary income	67,053	-
	<u>2,214,166</u>	<u>2,064,990</u>

4. Investment income

	2020 €	2019 €
Bank interest receivable	27	275
	<u>27</u>	<u>275</u>

5. Local Enforcement System

	2020 €	2019 €
Administrative charges to Regional Committees	11,264	15,178
Contraventions	2,656	2,995
	<u>13,920</u>	<u>18,173</u>

6. General Income

	2020 €	2019 €
Income from use of roads	11,274	18,480
Income from use of crane	106,284	104,766
Income from kiosk	0	670
General Income	35,816	13,807
Income from trenching	163	277
	<u>153,537</u>	<u>138,000</u>

7. Income from bye law

	2020 €	2019 €
Income from skip permits	1,843	2,948
Income from advertising on street furniture	4,393	66
	<u>6,236</u>	<u>3,014</u>

8. Personal Emoluments

	2020 €	2019 €
Mayor's honoraria	19,651	18,012
Executive Secretary and allowances	36,652	37,080
Employees' salaries	125,942	106,334
Social Security Contributions	14,989	12,240
Overtime	7,078	11,604
Mayor's and Councillors' allowance	32,200	23,561
	<u>236,512</u>	<u>208,831</u>

Average number of people employed

Employees	11	9
Mayor and Councillors	13	13

9. Operations and Maintenance

	2020 €	2019 €
Repairs and Upkeep:		
Road and street pavements (Patching works)	209,300	6,623
Repairs to Public Property	72,512	7,485
Road/Street Pavements	2,338	5,750
Road signs and markings	11,436	23,834
Office Furniture & Equipment	2,876	862
Environmental upkeep	13,235	524
Sundry repairs	656	1,354
Claim for damages	0	13,468
Street Lighting	38,323	27,564
	<u>350,676</u>	<u>87,464</u>

9. Operations and Maintenance - continued

	2020	2019
	€	€
Contractual Services:		
Refuse collection (including bins on wheels)	380,160	345,935
Waste disposal	237,175	236,226
Bulky refuse collection (including open skips)	60,374	68,868
Road and street cleaning (mechanical and manual)	137,226	108,947
Cleaning and Maintenance of Public Conveniences	74,658	47,459
Cleaning and Maintenance of Parks and Gardens	43,771	37,794
Cleaning and Maintenance non-urban and plants	14,357	63,697
Cleaning and Maintenance council premises	2,635	2,503
LES related expenditure	3,969	861
Handyman Service	18,470	21,446
Other Contractual Services	14,762	11,994
	<u>987,557</u>	<u>945,730</u>
	<u>1,338,233</u>	<u>1,033,194</u>

10. Administrative and other expenditure

	2020	2019
	€	€
Depreciation and amortisation	256,858	252,896
Depreciation of right of use asset	20,177	0
Accountancy services	7,445	8,424
Advertising and public relations expenses	2,353	4,956
Bank charges	3,114	186
Office services	5,813	7,393
Cleaning materials and supplies	104	4,138
Community services	62,689	104,560
Conference and participation expenses	300	1,120
Insurance	10,363	9,184
Management, operation and engineering services	46,227	7,713
Operating materials and supplies	15,794	15,272
Legal and professional fees	19,233	20,043
Uniforms	2,126	2,809
Library	1,364	1,376
Staff Training	86	(1,042)
Rent	9,162	29,024
Subscriptions	929	929
Gain on disposal	(400)	-
Sundry minor expenses	0	79
Telecommunications	10,640	6,117
Transport expenses	14,080	11,300
Water and Electricity	10,509	10,786
Nextbike Contribution	275	29,826
Day Centre Expenditure	19,387	26,503
	<u>518,628</u>	<u>553,592</u>

11. Intangible asset

	Computer Software €
At 1 January 2019	
Cost	4,964
Accumulated amortisation	(2,965)
Net book amount	<u>1,999</u>
Movements for the year ended 31 December 2019	
Opening net book amount	1,999
Additions	-
Amortisation charge	(756)
Closing net book amount	<u>1,243</u>
At 31 December 2019	
Cost	4,964
Accumulated amortisation	(3,721)
Net book amount	<u>1,243</u>
Movements for the year ended 31 December 2020	
Opening net book amount	1,243
Additions	977
Disposal	-
Amortisation released on disposal	-
Amortisation charge	(820)
Closing net book amount	<u>1,400</u>
At 31 December 2020	
Cost	5,941
Accumulated amortisation	(4,541)
Net book amount	<u>1,400</u>

Amortisation of €820 (2019: €756) is included in administrative expenses.

12a. Property, plant and equipment

	Trees €	Office Furn. & Fittings €	Comp. & Office Equip. €	Street Paving €	Urban Improv. €	Playgr. Furn. €	Plant & Machinery €	Motor Vehicles €	Construction Works €	Special Programmes €	Assets not yet Capitalised €	Total €
Cost												
At 1 January 2020	26,052	48,766	43,667	124,856	1,086,254	36,912	71,066	113,723	1,104,046	3,418,569	507,856	6,581,767
Additions/Capitalisations	0	0	3,470	0	8,878	5,900	4,346	0	0	0	0	22,594
Disposals/Capitalisations	0	0	0	0	0	0	0	(2,700)	0	0	0	(2,700)
At 31st December 2020	26,052	48,766	47,137	124,856	1,095,132	42,812	75,412	111,023	1,104,046	3,418,569	507,856	6,601,661
Grants												
At 1 January 2020	0	1,512	7,900	0	40,891	0	6,363	0	193,793	1,600,035	22,200	1,872,694
Additions to Grant	0	0	0	0	0	0	0	0	0	0	0	0
Transferred	0	0	0	0	0	0	0	7,000	(25)	0	0	6,975
Disposals/Capitalisations	0	0	0	0	0	0	0	0	0	0	0	0
At 31st December 2020	0	1,512	7,900	0	40,891	0	6,363	7,000	193,768	1,622,235	22,200	1,879,669
Depreciation												
At 1 January 2020	0	37,813	30,748	116,630	1,019,192	36,912	62,369	34,699	777,022	1,425,791	0	3,541,176
Charge for the period	0	1,314	2,011	978	19,297	5,900	1,245	16,511	37,619	171,163	0	256,038
Released on disposal	0	0	0	0	0	0	0	(2,700)	0	0	0	(2,700)
At 31st December 2020	0	39,127	32,759	117,608	1,038,489	42,812	63,614	48,510	814,641	1,596,954	0	3,794,514
Net Book Value												
At 31st December 2020	26,052	8,127	6,478	7,248	15,752	0	5,435	55,513	95,637	199,380	485,656	927,478

12b. Property, plant and equipment

	Trees €	Office Furn. & Fittings		Comp. & Office Equip. €	Street Paving €	Urban Improv. €	Playgr. Furn. €	Plant & Machinery €	Motor Vehicles €	Construction Works €	Special Programmes €	Assets not yet Capitalised €	Total €
		€	€										
Cost													
At 1 January 2019	26,052	46,614	42,688	124,856	1,082,139	36,912	71,066	31,171	1,048,932	3,418,569	212,115	6,141,114	
Additions/Capitalisations	0	2,152	979	0	4,115	0	0	82,552	0	0	0	350,855	440,653
Disposals/Capitalisations	0	0	0	0	0	0	0	0	55,114	0	0	(55,114)	0
At 31st December 2019	26,052	48,766	43,667	124,856	1,086,254	36,912	71,066	113,723	1,104,046	3,418,569	507,856	6,581,767	
Grants													
At 1 January 2019	0	0	7,900	0	40,891	0	6,363	0	142,270	1,600,035	206,336	2,003,795	
Additions to Grant	0	0	0	0	0	0	0	0	0	0	0	22,200	22,200
Transferred	0	1,512	0	0	0	0	0	0	0	0	0	(154,813)	(153,301)
Disposals/Capitalisations	0	0	0	0	0	0	0	0	51,523	0	0	(51,523)	0
At 31st December 2019	0	1,512	7,900	0	40,891	0	6,363	0	193,793	1,600,035	22,200	1,872,694	
Depreciation													
At 1 January 2019	0	36,369	28,545	115,653	1,000,321	36,912	61,269	30,227	739,404	1,240,336	0	3,289,036	
Charge for the period	0	1,444	2,203	977	18,871	0	1,100	4,472	37,618	185,455	0	252,140	
Released on disposal	0	0	0	0	0	0	0	0	0	0	0	0	0
At 31st December 2019	0	37,813	30,748	116,630	1,019,192	36,912	62,369	34,699	777,022	1,425,791	0	3,541,176	
Net Book Value													
At 31st December 2019	26,052	9,441	5,019	8,226	26,171	0	2,334	79,024	133,231	392,743	485,656	1,167,897	

13. Receivables

	2020 €	2019 €
Receivables	470,570	320,507
Provision for doubtful debts	(99,169)	(99,169)
LES Debtors	91,208	91,208
Provision for doubtful LES debts	(91,208)	(91,208)
Deposit payments	0	264
Other debtors	464,161	469,773
Accrued income	298,595	312,105
Financial assets	1,134,157	1,003,480
Prepayments	18,211	22,862
	1,152,368	1,026,342

The total financial assets for the year amounted to €1,134,157 (2019: €1,003,480).

The average credit period on sales of services is 60 days. Receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the company has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

	2020 €	2019 €
Age of receivables that are past due but not impaired		
60-90 days	43,763	63,819
91-120 days	15,395	157,519
More than 120 days	411,412	99,169
Total	470,570	320,507
Other debtors are analysed as follows:		
More than 120 days	464,161	469,773

In determining the recoverability of a receivable, the Local Council considers any change in the credit quality of the receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated. The impairment loss on receivables is included in administrative expenses in the statement of comprehensive income.

Receivables are stated net of a provision for doubtful debts of €99,169 (2019: €99,169).

14. Inventories

	2020 €	2019 €
Inventories held for resale	<u>1,348</u>	<u>1,348</u>

15. Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following amounts in the Local Council Statement of Financial Position:

	2020 €	2019 €
Petty Cash	125	14
Cash in hand	150	440
Bank balances:		
Savings and Current accounts	1,656,060	877,784
Central Bank Measure 4.3 account	1,491	6,533
	<u>1,657,826</u>	<u>884,771</u>

16. Payables

	2020 €	2019 €
Payables	435,353	196,302
Payables (PPP Scheme)	16,364	34,295
Accruals	326,584	123,253
Other creditors	11,412	18,912
Lease Liability	17,095	0
Bank Balance overdrawn	0	31,913
Financial liabilities	<u>806,808</u>	<u>404,675</u>
Deferred Income	8,238	12,300
	<u>815,046</u>	<u>416,975</u>

The total financial liabilities for the year amounted to €806,808 (2019: €404,675)

Payables after more than one year

	2020 €	2019 €
Lease Liability	75,101	0
Payables (PPP Scheme)	0	16,388
	<u>75,101</u>	<u>16,388</u>

17. Contingent liabilities

- Gasan Mamo Insurance Agency vz Kunsill Lokali San Pawl il-Baħar - If the case is lost the Council stands to pay €1,600 + court expenses.
- Peter Pisani vz Kunsill Lokali San Pawl il-Baħar - If the case is lost the Council stands to pay €2,037.10 + court expenses.
- Vladyslava Kravchenko vs Kunsill Lokali San Pawl il-Baħar – A garnishee order has been placed on the bank account of San Pawl il-Baħar Local Council amounting to €453,155.

18. Contingent asset

The Council has a Contingent Asset as at 31st December 2020 re a court case with Blues Ltd. In case of a favourable outcome, the Council stands to receive the amount due by Blues Ltd. which is included with trade receivables + court expenses.

19. Related party transactions

During the year, the Local Council had affected transactions with related parties resulting mainly in connection with income and administrative transactions, are disclosed in notes 3 and 8 to these financial statements. The following were the related parties:

Name of Entity	Nature of relationship
Department of Local Councils	Significant Control
Gozo Regional Committee	No Control
Central Regional Committee	No Control
North Regional Committee	Joint Control
South Regional Committee	No Control
South Eastern Regional Committee	No Control
Local Enforcement Systems Agency	No Control
ARMS Ltd	No Control
Commissioner of Data Protection	No Control
Department of Information	No Control
Ministry of Finance	No Control
Police General Head Quarters	No Control
Malta Environment and Planning Authority	No Control
Water Services Corporation	No Control
Enemalta Corporation	No Control
Cleansing Directorate	No Control
Department of Lands	No Control
Wasteserv Malta Limited	No Control
Bank of Valletta plc	No Control
Department of Lands	No Control
Local Councils' Association	No Control
Central Bank of Malta	No Control
Department of Inland Revenue	No Control
Ministry for Justice, Culture and Local Government	No Control

19. Related party transactions – continued

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

	2020 €	2019 €
(a) Funds received from Local Government	1,994,699	1,853,396

Key management compensation

Transactions with key management personnel are disclosed in note 8.

Ultimate controlling party

The ultimate controlling party of the local council is Central Government since the Council's main revenue is from the Government allocation received every quarter. Apart from the normal funds received from Government, the Council also receives funds relating to specific projects as well as other funds for the improvement of the locality.

20. Financial risk management

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

Credit risk

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors 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.

The Council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period and is summarised as follows:

	2020 €	2019 €
Classes of financial assets – carrying amounts		
Trade and other receivables	1,134,157	1,003,480
Cash and cash equivalents	1,657,826	884,771
	2,791,983	1,888,251

20. Financial risk management – continued***Liquidity risk***

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short-term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact, at year end, the Council has as cash in bank and in hand the amount of €1,657,826. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net asset position of €1,996,496 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

At 31 December 2020 the council's financial liabilities have contractual maturities which are summarised below:

At 31 December 2020

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	435,353	-	-
Payables (PPP Scheme)	16,364	-	-
Accruals	326,584	-	-
Other Creditors	11,412	-	-
Lease Liability	17,095	75,101	-

20. Financial risk management – continued

This compares to the maturity of the council's financial liabilities in the previous reporting period as follows:

At 31 December 2019

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	196,302	-	-
Payables (PPP Scheme)	34,295	16,388	-
Accruals	123,253	-	-
Other Creditors	18,912	-	-
Bank balance overdrawn	31,913	-	-

Foreign currency risk

Foreign currency transactions arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Council does not trade in any foreign currencies.

Interest rate risk

Interest rate risk mainly arises through interest bearing liabilities and assets. The objectives of interest rate risk management is to optimise the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense.

21. Summary of financial assets and liabilities

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

	2020 €	2019 €
Current assets		
Loans and receivables:		
Trade and other receivables	1,134,157	1,003,480
Cash and cash equivalents	1,657,826	884,771
	2,791,983	1,888,251
Current liabilities		
Financial liabilities measured at amortised costs:		
Payables	480,224	281,422
Accruals	326,584	123,253
	806,808	404,675

22. Fair values estimation

The nominal values less estimated credit adjustments of receivables and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair values.

23. Capital commitments**Capital expenditure**

Commitments for capital expenditure not provided for in these financial statements are as follows:

	2020 €	2019 €
Contracted but not provided for	-	-
Authorised but not contracted	1,067,000	955,000
	1,067,000	955,000

The Capital expenditure that has been approved but not yet contracted for represents a fund for the acquisition of property (€200,000), Embellishment in Burmarrad Playing Field (€30,000), Erba' Mwiezeb Project (€50,000), Qawra Dogs Park (€25,000), Embellishment at Fra Ben Public Convenience (€50,000), Embellishment at Tal-Vecc Playing Field (€50,000), Menqa Project (€50,000), Pillbox Olympic Garden Project (€12,000), Pavements (€500,000) and other improvements (€100,000).

24. Adoption of IFRS 16

	€
Right of use Asset	
Cost 1 January 2020	
Initial application of IFRS 16	112,655
Accumulated Depreciation	
Charge for the year	<u>(20,177)</u>
Net Book Value 31 December 2020	<u>92,478</u>

The below table shows the right-of-use assets and corresponding lease liabilities. All recognised right-of-use assets relate to the site at Triq San Pawl, San Pawl il- Baħar, that is used as office premises.

	2020 €
Right-of-use asset	92,478
Lease liabilities:	92,196
Of which are:	
Current lease liabilities	17,095
Non-current lease liabilities	75,101
Maturity Analysis	
Less than one year	17,095
One to five years	75,101
More than five years	0