



San Pawl Il-Baħar Local Council

Annual Report and Financial Statements
31 December 2022

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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 23 May 2023 and signed on its behalf by:



Alfred Grima
Mayor



Marico Sammut
Executive Secretary

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2022	2021
		€	€
Income			
Funds received from Central Government	3	2,231,459	2,263,573
Income raised under Local Enforcement System	4	21,427	25,462
General income	5	228,466	160,774
Income from Bye Law	6	9,327	4,534
		2,490,679	2,454,343
Expenditure			
Personal emoluments	7	376,020	288,360
Operations and maintenance	8	1,123,110	1,230,996
Administrative and other expenditures	9	647,752	622,441
		2,146,882	2,141,797
Operating profit for the year		343,797	312,546
Profit for the year		343,797	312,546
Total comprehensive income for the year		343,797	312,546

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

Statement of Financial Position

	Notes	2022	2021
		€	€
ASSETS			
Non-current assets			
Intangible asset	10	1,789	2,805
Property, plant and equipment	11	831,565	917,254
Right of use asset	16	52,124	72,301
		885,478	992,360
Current assets			
Inventories	13	1,455	1,798
Receivables	12	836,920	879,832
Cash and cash equivalents	14	2,640,884	2,161,466
		3,479,259	3,043,096
Total Assets		4,364,737	4,035,456
Reserves			
Retained earnings		3,540,575	3,196,778
Non-Current liabilities			
Payables	15	39,016	57,382
		39,016	57,382
Current liabilities			
Payables	15	785,146	781,296
		785,146	781,296
Total Liabilities		823,933	838,678
Total Reserves and Liabilities		4,364,508	4,035,456

These financial statements were approved by the Local Council on the 23 May 2023 and are signed on its behalf by:



Alfred Grima
Mayor



Marico Sammut
Executive Secretary

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

Statement of Changes in Equity

	Retained Earnings €
Balance at 1 January 2021	2,884,232
Total comprehensive income for the year	312,546
Balance at 31 December 2021	3,196,778
Balance at 1 January 2022	3,196,778
Total comprehensive income for the year	343,797
Balance at 31 December 2022	3,540,575

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

Statement of Cash Flows

	Notes	2022	2021
		€	€
Cash flows from operating activities			
Profit for the year		343,797	312,546
Adjustments for:			
Depreciation on property, plant and equipment	11	214,098	344,103
Amortisation on intangible asset	10	1,016	784
Depreciation on right of use asset	16	20,177	20,177
Gain on disposal	5	-	(3,000)
Increase/(decrease) in provision for bad debts		(78,462)	4,652
Bad debts written off		78,462	-
		579,088	679,262
Surplus for the year before working capital movements		579,088	679,262
Decrease in receivables		121,603	268,484
Decrease/(Increase) in Inventories		343	(450)
(Decrease) in payables		(98,840)	(261,935)
		602,194	685,361
Net cash generated from operating activities		602,194	685,361
Cash flows used in investing activities			
Lease repayments		(22,506)	(22,506)
Payments to acquire property, plant and equipment	11	(128,409)	(332,270)
Payments to acquire intangible asset	10	-	(2,189)
Proceeds from disposal of property, plant and equipment	5	-	3,000
Grants received		27,419	172,214
		(123,496)	(181,751)
Net cash used in investing activities		(123,496)	(181,751)
Movement in cash and cash equivalents		479,418	503,610
Cash and cash equivalents at the beginning of the year		2,161,466	1,657,856
Cash and cash equivalents at the end of the year	14	2,640,884	2,161,466

Notes to the Financial Statements For the year ended 31 December 2022

1. Statutory Information

San Pawl Il-Baħar Local Council (the "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.

c. New or revised standards or interpretations

New standards adopted as at 1 January 2022

Some accounting pronouncements which have become effective from 1 January 2022 and have therefore been adopted do not have a significant impact on the Local Council's financial results or position.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Local Council

2. Accounting policies - continued**c. New or revised standards or interpretations - continued**

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Local Council.

Management anticipates that all of the relevant pronouncements will be adopted in the Local Council's accounting policies for the first period beginning after the effective date of the pronouncement. No new standards, amendments and interpretations are expected to be relevant to the Local Council's financial statements.

The principal accounting policies and reporting procedures used by the Local Council are as follows:

d. 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 profit or loss as it accrued under finance income.

e. 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.

f. Local Enforcement System

As from October 2015, LESA took over the administration of the Local Enforcement System. The amount disclosed in the financial statements under Local Enforcement Income represents the 10% administrative charges.

2. Accounting policies – continued**g. 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 live of 25% using the straight-line method. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

h. 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 (j)).

2. Accounting policies - continued**i. Impairment of assets***Impairment of property, plant and equipment*

The carrying amounts of the Local Council's property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

j. Receivables

Receivables 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.

Receivables are carried at original invoice amount less provisions made for impairment of these receivables. A provision for impairment of 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 Profit or Loss and Other Comprehensive Income. Bad debts are written off during the year in which they are identified.

k. 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 on hand and cash in bank.

l. 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.

2. Accounting policies - continued**m. Payables**

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

n. 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.

o. Leases**The Local Council as a lessee**

For contracts entered into, 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'.

Measurement and recognition of leases as a lessee

At lease commencement date, the council recognises 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 commencement date (net of any incentives received).

The Local 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 Local Council also assesses the right-of-use asset for impairment when such indicators exist.

At lease commencement date, the Local 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 Local 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.

2. Accounting policies – continued**p. 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 Profit or Loss and Other 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.

q. Capital Management

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

To achieve the above, the Local Council carries out a quarterly review of the working capital ratio ('Financial Situation Indicator'). The Local 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.

r. Financial instruments**Recognition and derecognition**

Financial assets and financial liabilities are recognised when the Local 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.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

The Local Council does not have any financial assets categorised as FVTPL and FVOCI in the periods presented.

2. Accounting policies – continued**r. Financial instruments – continued**

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within 'finance costs', 'finance income' or 'other financial items'.

Subsequent measurement of financial assets**Financial assets at amortised cost**

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Local Council's cash and cash equivalents, and most receivables fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Local Council considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

2. Accounting policies - continued**r. Financial instruments – continued**

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
 - financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.
- '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.
- Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Classification and measurement of financial liabilities

The Local Council's financial liabilities include payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Local Council designates a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'finance costs' or 'finance income'.

s. Related parties

Related parties are those persons or bodies of persons having relationships with the Local Council as defined in IAS 24.

t. Government Grants

Government grants relating to operating expenditure are recognized 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. Government grants that are related specifically to non-capital expenditures are recognised immediately in the Statement of Profit or Loss and Other Comprehensive Income.

3. Funds received from Central Government

	2022 €	2021 €
In terms of Section 55 of the Local Councils Act (Cap 363)	2,052,908	2,023,692
Other Government income	178,551	195,463
Other supplementary income	-	44,418
	<u>2,231,459</u>	<u>2,263,573</u>

4. Income raised under Local Enforcement System

	2022 €	2021 €
Administrative charges to Regional Committees	15,661	17,059
Contraventions	5,766	8,403
	<u>21,427</u>	<u>25,462</u>

5. General income

	2022 €	2021 €
Income from use of roads	21,968	6,864
Income from use of crane	172,633	125,993
Income from kiosk	512	116
Insurance Claim	-	529
Income from gain on disposal	-	3,000
General Income	32,972	23,865
Income from trenching	381	407
	<u>228,466</u>	<u>160,774</u>

6. Income from Bye Law	2022	2021
	€	€
Income from skip permits	6,758	4,017
Income from advertising on street furniture	2,569	517
	<u>9,327</u>	<u>4,534</u>
7. Personal Emoluments	2022	2021
	€	€
Mayor's honoraria	20,290	19,968
Executive Secretary and allowances	57,048	36,158
Employees' salaries	218,958	170,368
Social security contributions	21,776	17,820
Overtime	25,748	11,846
Mayor's and Councillors' allowance	32,200	32,200
	<u>376,020</u>	<u>288,360</u>
Average number of people employed		
Employees	15	11
Mayor and Councillors	13	13
	<u>13</u>	<u>13</u>
8. Operations and Maintenance	2022	2021
	€	€
Repairs and Upkeep:		
Road and street pavements (patching works)	20,572	18,586
Repairs to Public Property	15,202	180,914
Road signs and markings	33,661	40,414
Office furniture & equipment	5,913	2,666
Environmental upkeep	1,180	8,025
Sundry repairs	5,343	1,479
Claim for damages	1,178	3,332
Street lighting	24,183	3,224
	<u>107,232</u>	<u>258,640</u>

8. Operations and Maintenance - continued

	2022 €	2021 €
Contractual Services:		
Refuse collection (including bins on wheels)	374,713	377,063
Waste disposal	195,232	192,874
Bulky refuse collection (including open skips)	46,144	48,101
Road and street cleaning (mechanical and manual)	182,073	155,565
Cleaning and maintenance of public conveniences	87,361	77,494
Cleaning and maintenance of parks and gardens	10,697	43,153
Cleaning and maintenance non-urban and plants	35,635	24,490
Cleaning and maintenance council premises	4,187	2,998
LES related expenditure	14,200	4,751
Handyman service	33,665	24,195
Other contractual services	31,971	21,672
	<u>1,015,878</u>	<u>972,356</u>
	<u>1,123,110</u>	<u>1,230,996</u>

9. Administrative and other expenditure

	2022 €	2021 €
Depreciation and amortisation	215,114	344,887
Depreciation on right of use asset	20,177	20,177
Accountancy services	6,796	6,973
Advertising and public relations expenses	2,265	2,873
Bank charges	9,344	8,615
Right of use of asset interest	2,741	3,365
Office services	15,970	5,215
Cleaning materials and supplies	1,135	1,160
Community services	137,244	79,244
Conference and participation expenses	883	300
Insurance	9,321	12,202
Management, operation and engineering services	41,775	23,344
Operating materials and supplies	33,837	14,966
Legal and professional fees	67,346	24,439
Uniforms	2,907	2,746
Library	2,274	1,734
Staff Training	610	-
Twinning expenses	1,855	-
Rent	8,808	8,729
Bad Debts	78,462	-
Provision for bad debts	(78,462)	4,652
Telecommunications	5,392	8,554
Transport expenses	19,102	13,358
Water and electricity	13,031	15,921
Plant and equipment	170	152
Day Centre expenditure	29,285	18,835
Sundry minor expenses	370	-
	<u>647,752</u>	<u>622,441</u>

10. Intangible asset

	Computer Software €
At 1 January 2021	
Cost	5,941
Accumulated amortisation	(4,541)
Net book amount	<u>1,400</u>
Movements for the year ended 31 December 2021	
Opening net book amount	1,400
Additions	2,189
Disposals	(755)
Amortisation released on disposal	755
Amortisation charge	(784)
Closing net book amount	<u>2,805</u>
At 31 December 2022	
Cost	7,375
Accumulated amortisation	(4,570)
Net book amount	<u>2,805</u>
Movements for the year ended 31 December 2022	
Opening net book amount	2,805
Amortisation charge	(1,016)
Closing net book amount	<u>1,789</u>
At 31 December 2022	
Cost	7,375
Accumulated amortisation	(5,586)
Net book amount	<u>1,789</u>

Amortisation of €1,016 (2021: €784) is included in administrative expenses.

11a. Property, plant and equipment

	Trees €	Office		Comp. & Office Equip. €	Street Paving €	Urban Improv. €	Playgr. Furn. €	Plant & Machinery €	Motor Vehicles €	Construction Works €	Special Programmes €	Assets not yet Capitalised €	Total €
		Furn. & Fittings €	Office Equip. €										
Cost													
At 1 January 2022	26,052	49,395	52,284	124,856	1,179,424	42,812	76,183	82,552	1,104,046	3,918,569	243,402	6,899,575	
Additions	-	925	676	-	21,793	-	-	11,210	-	-	93,805	128,409	
At 31st December 2022	26,052	50,320	52,960	124,856	1,201,217	42,812	76,183	93,762	1,104,046	3,918,569	337,207	7,027,984	
Grants													
At 1 January 2022	-	1,512	7,900	-	40,891	-	6,363	7,000	193,792	1,622,235	-	1,879,693	
Additions to Grant	-	-	-	-	-	-	-	-	-	-	-	-	
At 31st December 2022	-	1,512	7,900	-	40,891	-	6,363	7,000	193,792	1,622,235	-	1,879,693	
Depreciation													
At 1 January 2022	-	40,367	35,860	118,585	1,133,455	42,812	65,336	34,916	850,929	1,780,368	-	4,102,628	
Charge for the period	-	1,247	3,313	977	20,765	-	1,695	17,071	29,032	139,998	-	214,098	
Released on disposal	-	-	-	-	-	-	-	-	-	-	-	-	
At 31st December 2022	-	41,614	39,173	119,562	1,154,220	42,812	67,031	51,987	879,961	1,920,366	-	4,316,726	
Net Book Value													
At 31st December 2022	26,052	7,194	5,887	5,294	6,106	-	2,789	34,775	30,293	375,968	337,207	831,565	

11b. Property, plant and equipment

	Comp. &											Assets under		
	Trees	Office Furn. & Fittings	Office Equip.	Street Paving	Urban Improv.	Playgr. Furn.	Plant & Machinery	Motor Vehicles	Construction Works	Special Programmes	Construction	Total	€	€
Cost	€	€	€	€	€	€	€	€	€	€	€	€	€	€
At 1 January 2021	26,052	48,766	47,137	124,856	1,089,247	42,812	75,412	104,323	1,104,046	3,418,569	507,856	6,589,076		
Additions/Capitalisations	-	629	5,147	-	90,177	-	771	-	-	-	235,546	332,270		
Disposals/Capitalisations	-	-	-	-	-	-	-	(21,771)	-	500,000	(500,000)	(21,771)		
At 31st December 2021	26,052	49,395	52,284	124,856	1,179,424	42,812	76,183	82,552	1,104,046	3,918,569	243,402	6,899,575		
Grants														
At 1 January 2021	-	1,512	7,900	-	40,891	-	6,363	7,000	193,792	1,600,035	22,200	1,879,693		
Additions to Grant	-	-	-	-	-	-	-	-	-	-	-	-		
Disposals/Capitalisations	-	-	-	-	-	-	-	-	-	22,200	(22,200)	-		
At 31st December 2021	-	1,512	7,900	-	40,891	-	6,363	7,000	193,792	1,622,235	-	1,879,693		
Depreciation														
At 1 January 2021	-	39,127	32,759	117,608	1,032,604	42,812	63,614	40,177	814,641	1,596,954	-	3,780,296		
Charge for the period	-	1,240	3,101	977	100,851	-	1,722	16,510	36,288	183,414	-	344,103		
Released on disposal	-	-	-	-	-	-	-	(21,771)	-	-	-	(21,771)		
At 31st December 2021	-	40,367	35,860	118,585	1,133,455	42,812	65,336	34,916	850,929	1,780,368	-	4,102,628		
Net Book Value														
At 31st December 2021	26,052	7,516	8,524	6,271	5,078	-	4,484	40,636	59,325	515,966	243,402	917,254		

12. Receivables

	2022 €	2021 €
Receivables	140,113	225,555
Provision for doubtful debts	(24,759)	(103,221)
LES Debtors	74,381	80,149
Provision for doubtful LES debts	(74,381)	(80,149)
Other debtors	455,655	461,305
Accrued income	241,463	249,597
Financial assets at amortised cost	812,472	833,236
Advance payment	1,138	21,972
Prepayments	23,310	24,624
Total receivables	836,920	879,832

The total financial assets at amortised cost for the year amounted to €812,472 (2021: €833,236).

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.

	2022 €	2021 €
Age of receivables that are past due but not impaired		
60-90 days	40,601	49,712
91-120 days	29,961	13,881
More than 120 days	69,551	161,962
Total	140,113	225,555
Other debtors are analysed as follows:		
More than 120 days	455,655	461,305

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 impairment loss on receivables is included in administrative expenses in the Statement of Profit or Loss and Other Comprehensive income.

Receivables are stated net of a provision for doubtful debts of €24,759 (2021: €103,221).
LES receivables are stated net of a provision for doubtful debts of €74,381 (2021: €80,149).

13. Inventories

	2022 €	2021 €
Inventories held for resale	<u>1,455</u>	<u>1,798</u>

14. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and cash in bank. Cash and cash equivalents included in the Statement of Financial Position and Statement of Cash Flow comprise the following amounts:

	2022 €	2021 €
Petty cash	125	93
Cash in hand	855	821
Bank balances:		
Savings and Current accounts	2,466,761	1,987,397
Central Bank Measure 4.3 account	173,143	173,155
Total cash and cash equivalents	<u>2,640,884</u>	<u>2,161,466</u>

15. Payables

	2022 €	2021 €
Payables	330,914	495,018
Accruals	76,407	65,763
Other creditors	239,225	83,432
Lease liability	15,467	16,866
Financial liabilities	<u>662,013</u>	<u>661,079</u>
Deferred income	123,133	120,217
Total payables – current	<u>785,146</u>	<u>781,296</u>

The total financial liabilities for the year amounted to €661,784 (2021: €661,079)

Payables after more than one year

	2022 €	2021 €
Lease Liability	<u>39,016</u>	<u>57,382</u>
	<u>39,016</u>	<u>57,382</u>

16. Right of use asset

	€
Right of use Asset	
Cost 1 January 2022	112,655
Accumulated Depreciation	
Opening depreciation	(40,354)
Charge for the year	(20,177)
Net Book Value 31 December 2022	52,124
	€
Cost 1 January 2021	112,655
Accumulated Depreciation	
Opening depreciation	(20,177)
Charge for the year	(20,177)
Net Book Value 31 December 2021	72,301

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.

	2022 €	2021 €
Right-of-use asset	52,124	72,301
Lease liabilities:	54,483	74,248
Of which are:		
Current lease liabilities	15,467	16,866
Non-current lease liabilities	39,016	57,382
Maturity Analysis		
Less than one year	15,467	16,866
One to five years	39,016	57,382

17. Contingent liabilities

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 2022 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 7 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

20. Related party transactions – continued

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

	2022 €	2021 €
(a) Funds received from Local Government	2,052,908	2,023,692

Key management compensation

Transactions with key management personnel are disclosed in note 7.

Ultimate controlling party

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

21. Financial risk management

The Local Council's activities expose it to a variety of financial risks such as market risk, credit risk, liquidity risk and interest rate risk. The Local 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 Local Council to concentrations of credit risk consist principally of cash at bank and debtors. The Local 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 Local 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 Local Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Local 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:

	2022 €	2021 €
Classes of financial assets – carrying amounts:		
Financial assets at amortised cost		
Receivables	812,472	833,236
Cash and cash equivalents	2,640,884	2,161,466
	3,453,356	2,994,702

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

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Local 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 Local 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 Local Council has as cash in bank and in hand the amount of €2,640,884. This should ensure an ongoing working capital of the Local Council for the next 12 months. The Local Council also maintains a positive net current asset position of €2,694,113 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

At 31 December 2022 the Local Council's financial liabilities have contractual maturities which are summarised below:

At 31 December 2022

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	330,914	-	-
Accruals	76,407	-	-
Other creditors	239,225	-	-
Lease liability	15,467	39,016	-

21. Financial risk management – continued

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

At 31 December 2021

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	495,018	-	-
Accruals	65,763	-	-
Other creditors	83,432	-	-
Lease liability	16,866	57,382	-

Foreign currency risk

Foreign currency transactions arise when the Local Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Local 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.

22. Summary of financial assets and liabilities

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

	2022 €	2021 €
Current assets		
Financial assets at amortised cost:		
Receivables	812,472	833,236
Cash and cash equivalents	2,640,884	2,161,466
	<u>3,453,356</u>	<u>2,994,702</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	585,606	595,316
Accruals	76,407	65,763
	<u>662,013</u>	<u>661,079</u>

23. 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.

24. Capital commitments**Capital expenditure**

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

	2022 €	2021 €
Contracted but not provided for	-	-
Authorised but not contracted	1,702,589	2,378,120

The Capital expenditure that has been approved but not yet contracted for represents a fund for the acquisition of property (€1,000,000), purchase of Motor Vehicle (€20,000) and Special Programmes (€682,589).