



San Pawl Il-Baħar Local Council

Annual Report and Financial Statements
31 December 2023

Table of Contents	Pages
Statement of Local Council Members' and Executive Secretary's Responsibilities	1
Statement of Profit or Loss and other Comprehensive Income	2
Statement of Financial Position	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 – 27

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 22 February 2024 and signed on its behalf by:

Alfred Grima
Mayor

Marico Sammut
Executive Secretary

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2023	2022
		€	€
Income			
Funds received from Central Government	3	2,157,447	2,231,459
Income raised under Local Enforcement System	4	36,759	21,427
General income	5	308,400	228,466
Income from Bye Law	6	9,723	9,327
		2,512,329	2,490,679
Expenditure			
Personal emoluments	7	446,625	376,020
Operations and maintenance	8	1,150,807	1,123,110
Administrative and other expenditures	9	690,699	647,752
		2,288,131	2,146,882
Operating profit for the year		224,198	343,797
Profit for the year		224,198	343,797
Total comprehensive income for the year		224,198	343,797

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

Statement of Financial Position

	Notes	2023	2022
		€	€
ASSETS			
Non-current assets			
Intangible asset	10	998	1,789
Property, plant and equipment	11	880,052	831,565
Right of use asset	16	31,947	52,124
		912,997	885,478
Current assets			
Inventories	13	-	1,455
Receivables	12	1,221,428	836,920
Cash and cash equivalents	14	2,703,419	2,640,884
		3,924,847	3,479,259
Total Assets		4,837,844	4,364,737
Reserves			
Retained earnings		3,764,773	3,540,575
Non-Current liabilities			
Payables	15	19,980	39,016
		19,980	39,016
Current liabilities			
Payables	15	1,053,091	785,146
		1,053,091	785,146
Total Liabilities		1,073,071	824,162
Total Reserves and Liabilities		4,837,844	4,364,737

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Alfred Grima
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Marico Sammut
Executive Secretary

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Statement of Changes in Equity

	Retained Earnings €
Balance at 1 January 2022	3,196,778
Total comprehensive income for the year	343,797
Balance at 31 December 2022	3,540,575
Balance at 1 January 2023	3,540,575
Total comprehensive income for the year	224,198
Balance at 31 December 2023	3,764,773

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

Statement of Cash Flows

	Notes	2023	2022
		€	€
Cash flows from operating activities			
Profit for the year		224,198	343,797
Adjustments for:			
Depreciation on property, plant and equipment	11	183,348	214,098
Amortisation on intangible asset	10	791	1,016
Depreciation on right of use asset	16	20,177	20,177
Increase/(decrease) in provision for bad debts		-	(78,462)
Bad debts written off		-	78,462
		428,514	579,088
Surplus for the year before working capital movements		428,514	579,088
(Increase)/Decrease in receivables		(384,737)	122,323
Decrease in Inventories		1,455	343
Increase/(Decrease) in payables		271,644	(98,840)
		316,876	602,914
Net cash generated from operating activities		316,876	602,914
Cash flows used in investing activities			
Lease repayments		(22,506)	(22,506)
Payments to acquire property, plant and equipment	11	(694,681)	(128,409)
Grants received		462,846	27,419
		(254,341)	(123,496)
Net cash used in investing activities		(254,341)	(123,496)
Movement in cash and cash equivalents		62,535	479,418
Cash and cash equivalents at the beginning of the year		2,640,884	2,161,466
Cash and cash equivalents at the end of the year	14	2,703,419	2,640,884

Notes to the Financial Statements For the year ended 31 December 2023

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 2023

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 life 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

	2023	2022
	€	€
In terms of Section 55 of the Local Councils Act (Cap 363)	2,066,916	2,052,908
Other Government income	90,531	178,551
	2,157,447	2,231,459

4. Income raised under Local Enforcement System

	2023	2022
	€	€
Administrative charges to Regional Committees	14,753	15,661
Share of profit from Joint Committee	22,006	-
Contraventions	-	5,766
	36,759	21,427

5. General income

	2023	2022
	€	€
Income from use of roads	7,258	21,968
Income from use of crane	174,411	172,633
Income from kiosk	536	512
EU funded programme	10,997	-
General Income	114,772	32,972
Income from trenching	426	381
	308,400	228,466

6. Income from Bye Law

	2023 €	2022 €
Income from skip permits	6,174	6,758
Income from advertising on street furniture	3,549	2,569
	<u>9,723</u>	<u>9,327</u>

7. Personal Emoluments

	2023 €	2022 €
Mayor's honoraria	20,927	20,290
Executive Secretary and allowances	42,987	57,048
Employees' salaries	288,339	218,958
Social security contributions	29,561	21,776
Overtime	32,611	25,748
Mayor's and Councillors' allowance	32,200	32,200
	<u>446,625</u>	<u>376,020</u>

Average number of people employed

Employees	18	15
Mayor and Councillors	13	13

8. Operations and Maintenance

	2023 €	2022 €
Repairs and Upkeep:		
Road and street pavements (patching works)	1,008	20,572
Repairs to Public Property	8,687	15,202
Road signs and markings	10,114	33,661
Office furniture & equipment	2,249	5,913
Environmental upkeep	687	1,180
Sundry repairs	6,697	5,343
Claim for damages	652	1,178
Street lighting	100,559	24,183
	<u>130,653</u>	<u>107,232</u>

8. Operations and Maintenance - continued

	2023	2022
	€	€
Contractual Services:		
Refuse collection (including bins on wheels)	217,909	374,713
Waste disposal	381,866	195,232
Bulky refuse collection (including open skips)	32,258	46,144
Road and street cleaning (mechanical and manual)	165,067	182,073
Cleaning and maintenance of public conveniences	85,590	87,361
Cleaning and maintenance of parks and gardens	27,663	10,697
Cleaning and maintenance non-urban and plants	21,793	35,635
Cleaning and maintenance council premises	4,136	4,187
LES related expenditure	8,301	14,200
Handyman service	43,814	33,665
Other contractual services	31,757	31,971
	<u>1,020,154</u>	<u>1,015,878</u>
	<u>1,150,807</u>	<u>1,123,110</u>

9. Administrative and other expenditure

	2023	2022
	€	€
Depreciation and amortisation	184,139	215,114
Depreciation on right of use asset	20,177	20,177
Accountancy services	6,796	6,796
Advertising and public relations expenses	4,695	2,265
Bank charges	3,032	9,344
Right of use of asset interest	2,094	2,741
Office services	8,734	15,970
Cleaning materials and supplies	653	1,135
Community services	246,643	137,244
Conference and participation expenses	-	883
Insurance	10,869	9,321
Management, operation and engineering services	11,420	41,775
Operating materials and supplies	36,869	33,837
Legal and professional fees	57,468	67,346
Uniforms	4,457	2,907
Library	1,611	2,274
Staff Training	-	610
Twining expenses	2,709	1,855
Rent	12,286	8,808
Bad Debts	-	78,462
Provision for bad debts	-	(78,462)
Telecommunications	8,059	5,392
Transport expenses	20,094	19,102
Water and electricity	17,412	13,031
Plant and equipment	-	170
Day Centre expenditure	30,418	29,285
Sundry minor expenses	64	370
	<u>690,699</u>	<u>647,752</u>

10. Intangible asset

	Computer Software €
At 1 January 2022	
Cost	7,375
Accumulated amortisation	(5,586)
Net book amount	<u>1,789</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>
Movements for the year ended 31 December 2023	
Opening net book amount	1,789
Amortisation charge	(791)
Closing net book amount	<u>998</u>
At 31 December 2023	
Cost	7,375
Accumulated amortisation	(6,377)
Net book amount	<u>998</u>

Amortisation of €791 (2022: €1,016) is included in administrative expenses.

11a. 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 2023	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
Additions/Capitalisations	-	-	130	-	11,554	-	943	-	679,598	-	2,456	694,681
Disposals/Capitalisations	-	-	-	-	-	-	-	-	244,418	-	(244,418)	-
At 31st December 2023	26,052	50,320	53,090	124,856	1,212,771	42,812	77,126	93,762	2,028,062	3,918,569	95,245	7,722,665
Grants												
At 1 January 2023	-	1,512	7,900	-	40,891	-	6,363	7,000	193,792	1,600,035	22,200	1,879,693
Additions to Grant	-	-	-	-	-	-	-	-	280,732	182,114	-	462,846
Transferred	-	-	-	-	-	-	-	-	210,382	(210,382)	-	-
At 31st December 2023	-	1,512	7,900	-	40,891	-	6,363	7,000	684,906	1,571,767	22,200	2,342,539
Depreciation												
At 1 January 2023	-	41,614	39,173	119,562	1,154,220	42,812	67,031	51,987	879,961	1,920,366	-	4,316,726
Charge for the period	-	1,244	2,677	977	5,343	-	1,173	18,752	55,704	97,478	-	183,348
Released on disposal	-	-	-	-	-	-	-	-	-	-	-	-
At 31st December 2023	-	42,858	41,850	120,539	1,159,563	42,812	68,204	70,739	935,665	2,017,844	-	4,500,074
Net Book Value												
At 31st December 2023	26,052	5,950	3,340	4,317	12,317	-	2,559	16,023	407,491	328,958	73,045	880,052

11b. 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 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

12. Receivables

	2023 €	2022 €
Receivables	263,904	140,113
Provision for doubtful debts	(19,286)	(24,759)
LES Debtors	74,382	74,381
Provision for doubtful LES debts	(74,382)	(74,381)
Other debtors	729,437	455,655
Accrued income	228,482	241,463
Financial assets at amortised cost	1,202,537	812,472
Advance payment	-	1,138
Prepayments	18,891	23,310
Total receivables	1,221,428	836,920

The total financial assets at amortised cost for the year amounted to €1,202,537 (2022: €812,472).

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.

	2023 €	2022 €
Age of receivables that are past due but not impaired		
60-90 days	181,397	40,601
91-120 days	9,600	29,961
More than 120 days	72,907	69,551
Total	263,904	140,113
Other debtors are analysed as follows:		
91-120 days	276,282	-
More than 120 days	453,155	455,655

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 €19,286 (2022: €24,759). LES receivables are stated net of a provision for doubtful debts of €74,382 (2022: €74,381).

13. Inventories

	2023	2022
	€	€
Inventories held for resale	-	1,455

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:

	2023	2022
	€	€
Petty cash	60	125
Cash in hand	150	855
Bank balances:		
Savings and Current accounts	2,529,651	2,466,761
Central Bank Measure 4.3 account	173,558	173,143
Total cash and cash equivalents	2,703,419	2,640,884

15. Payables

	2023	2022
	€	€
Payables	513,863	330,914
Accruals	166,151	76,407
Other creditors	238,769	239,225
Lease liability	14,091	15,467
Financial liabilities	932,874	662,013
Deferred income	120,217	123,133
Total payables – current	1,053,091	785,146

The total financial liabilities for the year amounted to €930,780 (2022: €662,013)

Payables after more than one year

	2023	2022
	€	€
Lease Liability	19,980	39,016
	19,980	39,016

16. Right of use asset

	€
Right of use Asset	
Cost 1 January 2023	112,655
Accumulated Depreciation	
Opening depreciation	(60,531)
Charge for the year	(20,177)
Net Book Value 31 December 2023	31,947
	€
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

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.

	2023	2022
	€	€
Right-of-use asset	31,947	52,124
Lease liabilities:	34,071	54,483
Of which are:		
Current lease liabilities	14,091	15,467
Non-current lease liabilities	19,980	39,016
Maturity Analysis		
Less than one year	14,091	15,467
One to five years	19,980	39,016

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 2023 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:

	2023 €	2022 €
(a) Funds received from Local Government	2,066,916	2,052,908

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:

	2023 €	2022 €
Classes of financial assets – carrying amounts:		
Financial assets at amortised cost		
Receivables	1,202,537	812,472
Cash and cash equivalents	2,703,419	2,640,884
	3,905,956	3,453,356

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 €2,703,419. 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 €2,871,756 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

At 31 December 2023 the Local Council's financial liabilities have contractual maturities which are summarised below:

At 31 December 2023

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	513,863	-	-
Accruals	166,151	-	-
Other creditors	238,769	-	-
Lease liability	14,091	19,980	-

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 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	-

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:

	2023 €	2022 €
Current assets		
Financial assets at amortised cost:		
Receivables	1,202,537	812,472
Cash and cash equivalents	2,703,419	2,640,884
	<u>3,905,956</u>	<u>3,453,356</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	766,723	585,606
Accruals	166,151	76,407
	<u>932,874</u>	<u>662,013</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:

	2023 €	2022 €
Authorised but not contracted	<u>2,975,986</u>	<u>1,702,589</u>

The Capital expenditure that has been approved but not yet contracted for represents a fund for the acquisition of property (€1,500,000), purchase of Motor Vehicle (€65,000) and Special Programmes (€1,410,986).