

Local Council Sliema
Annual Audit Report
for the year ended 31 December 2019

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**Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2019**

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's comprehensive income for the year, and of the Council's retained funds at the end of year. 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, and the Local Council (Financial) Procedures issued in terms of the said Act.

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, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on 3 June 2020 and signed on its behalf by:

Anthony Chircop
Mayor

Anthony Attard
Executive Secretary

**Statement of Comprehensive Income
for the year ended 31 December 2019**

		2019	2018
	Notes	€	€
Revenue			
Funds received from Central Government	3	1,274,309	1,211,211
Income raised under Local Council Bye-Laws	4	29,543	30,318
Income raised under Local Enforcement System	5	7,388	11,311
General Income	6	451,358	273,903
		<u>1,762,598</u>	<u>1,526,743</u>
Expenditure			
Personal Emoluments	7	(187,870)	(190,754)
Operations and maintenance	8	(1,074,764)	(818,935)
Administration and other expenditure	9	(379,192)	(755,051)
		<u>(1,641,826)</u>	<u>(1,764,740)</u>
Operating profit/(loss) for the year		120,772	(237,997)
Finance income	10	348	295
Profit/(loss) for the year	7	<u><u>121,120</u></u>	<u><u>(237,702)</u></u>

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

		2019	2018
	Notes	€	€
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	1,141,928	1,094,871
Intangible assets	11	924	1,384
		<u>1,142,852</u>	<u>1,096,255</u>
Current Assets			
Receivables	13	513,044	477,836
Cash and cash equivalents	14	922,621	677,355
		<u>1,435,665</u>	<u>1,155,191</u>
Total Assets		<u><u>2,578,517</u></u>	<u><u>2,251,446</u></u>
EQUITY			
Reserves			
Retained earnings		1,509,443	1,388,323
Total equity		<u>1,509,443</u>	<u>1,388,323</u>
Non-Current Liabilities			
Deferred income	16	467,943	315,995
		<u>467,943</u>	<u>315,995</u>
Current Liabilities			
Payables	15	601,131	547,128
		<u>601,131</u>	<u>547,128</u>
Total Liabilities		<u>1,069,074</u>	<u>863,123</u>
Total equity and liabilities		<u><u>2,578,517</u></u>	<u><u>2,251,446</u></u>

These financial statements were approved by the Local Council on 3 June 2020 and signed on its behalf by:

Anthony Chircop
Mayor

Anthony Attard
Executive Secretary

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

**Statement of Changes In Equity
for the year ended 31 December 2019**

	Retained Funds	Total
	€	€
At 1 January 2018	1,626,025	1,626,025
(Loss) for the year	(237,702)	(237,702)
At 31 December 2018	1,388,323	1,388,323
At 1 January 2019	1,388,323	1,388,323
Profit for the year	121,120	121,120
At 31 December 2019	1,509,443	1,509,443

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

Statement of Cash Flows
for the year ended 31 December 2019

	2019		2018	
	€	€	€	€
Net profit/(loss) for the year	121,120		(237,702)	
Reconciliation to cash generated from operations:				
Depreciation and amortisation	109,274		515,670	
Movement in provision for doubtful debtors	(3,356)		(4,539)	
Bad debts written off	-		349	
Investment income	(348)		(295)	
Operating profit before working capital changes	226,690		273,483	
(Increase)/Decrease in receivables	(90,877)		13,793	
(Increase) in other receivables	(149,955)		(85,441)	
Increase in payables	102,301		121,820	
(Decrease) in other payables	(48,298)		(2,431)	
Cash generated from operating activities		39,861		321,224
Cash flow from investing activities				
Interest received	348		295	
Purchase of property, plant & equipment	(156,778)		(552,240)	
Receipt of grants	361,835		2,751	
Cash generated from/(used in) investing activities		205,405		(549,194)
Net Increase /(Decrease) in cash in the year		245,266		(227,970)
Cash and equivalents at beginning of year		677,355		905,325
Cash and equivalents at end of year		922,621		677,355

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

1. General Information

The Sliema Local Council is the local authority of Malta set up in accordance with the Local Councils Act(1993). The office of the Local Council is situated at Government School, Depiro Street, Sliema. These financial statements were approved for issue by the Council Members on 3 June 2020. The Local Council's presentation as well as functional currency are denominated in €.

2. Accounting Policies and Reporting Procedures

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

Accounting convention

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

These financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap. 363).

New and amended standards adopted by the Local Council

During the year the Company has applied the following International Financial Reporting Standards as adopted by the EU which have become mandatorily effective for the year ending 31 December 2019:

On 13 January 2016, the IASB issued IFRS 16 Leases. The standard specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

During the year the Company has applied the following International Financial Reporting Interpretations and Amendments as adopted by the EU which have become mandatorily effective for the year ending 31 December 2019:

New or revised Amendments adopted:

Amendments to IFRS 9 'Prepayment features with negative compensation'. Amends the existing requirements in IFRS 9 regarding the termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

Amendments to IAS 28 'Long-term Interests in Associates and Joint Ventures'. Clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

Annual Improvements to IFRS Standards 2015-2017 Cycle. The following standards have been amended: (1) IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business; (2) IAS 12 - The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits; (3) IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

Amendments to IAS 19 'Plan Amendment, Curtailment or Settlement'. (1) If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. (2) In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

New and revised IFRSs adopted by the EU that are not mandatorily effective for the year ending 31 December 2019 and have not been applied during the year under review:

Below is a list of new or revised standards, as well as interpretations and amendments to IFRSs adopted by the EU, that are not yet mandatorily effective (but allow early application) for the year ending 31 December 2019:

- Amendments to IFRS 4 Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'. Issued 12 September 2016 and provides two options for entities that issue insurance contracts within the scope of IFRS 4. Application is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.
- Amendments to References to the Conceptual Framework in IFRS Standards - Issued on 29 March 2018, the document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Mandatory applicable for annual periods beginning on or after 1 January 2020.
- Amendments to IAS 1 and IAS 8 Definition of Material. Issued 31 October 2018 and clarifies the definition of 'material' and align the definition used in the Conceptual Framework and the standards. Mandatory applicable for annual periods beginning on or after 1 January 2020.
- Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform (issued 26 September 2019).

Standards and Interpretations issued by the IASB but not yet adopted by the EU:

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the IASB except for the following standards and amendments to the existing standards, which were not endorsed for use in the EU as at 31 December 2019 and cannot be applied by the entities preparing their financial statements in accordance with IFRS as adopted by the EU:

- IFRS 17 Insurance Contracts (issued 18 May 2017)
- Amendments to IFRS 3 Definition of a Business. (issued 22 October 2018)

The Councillors are assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Councillors anticipate that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

Intangible Fixed Assets

Computer Software

Computer software is valued at cost less accumulated depreciation and impairment losses to date. Depreciation to write off the cost is calculated on a monthly basis using the reducing balance method at 25% per annum.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses to date. Depreciation is calculated on a monthly basis using the straight-line method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

	%
Land	0
Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	Replacement basis
Playground Furniture	100
Traffic Signs	Replacement basis
Road Signs	Replacement basis
Street Mirrors	Replacement basis
Street Lights	100

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each Statement of Financial Position date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is calculated as the present value of the expected future cash flows, discounted at the original effective interest rate inherent in the assets. The recoverable amount of the assets is the greater of their net selling price and value in use.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

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, if no impairment loss had been recognised.

Impairment of financial assets

The Council recognises an allowance for expected credit losses (ECLs) for trade receivables. ECLs are based on the difference between the contracted cash flows due in accordance with the contract and all the cash flows that the Council expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Council applies a simplified approach in calculating ECLs as a practical expedient. Therefore the Council does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Amounts receivable

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less expected credit losses. The amount of credit loss is updated at each reporting period to reflect changes in credit risk since initial recognition.

Amounts receivable are derecognised when the rights to receive cash flows have expired or when substantially all risks and rewards of ownership have been transferred. When there is no reasonable expectation of recovering part or all of an amount receivable, its carrying value is written off.

Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard No. 24.

Revenue

Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods and services promised.

Local Enforcement System

The Sliema Local Council used to form part of the Lvant Joint Committee up to 31 August 2011. The amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the Joint Committee after deducting the related expenses.

As from 1 September 2011, the Central Regional Committee had taken over the Local Enforcement System function and the Council receives 10% administrative reimbursements on fines collected. Subsequently, as from 1st October 2015, the Local Enforcement System Authority became responsible for the overall management and control of the Local Enforcement System.

Government grants

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

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

Profits and losses

Only profits that were realised at the date of the Statement of Financial Position are recognised 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.

Cash and equivalents

Cash and Cash Equivalents are carried in the Statement of Financial Position at face value. For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash in hand and balances held with banks.

Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Executive Secretary, the accounting estimates and judgements made in the preparation of the Financial Statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS1 (revised) - 'Presentation of Financial Statements'.

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"). This ratio was positive at the reporting date and has not changed significantly from the previous year. 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.

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 transactions costs. They are measured subsequently as described below.

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, which are 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 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 considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty 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.

Financial liabilities

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

All interest-related charges are included within 'finance costs'.

3. Funds received from central government

	2019	2018
	€	€
In terms of section 55 of the Local Councils Act	1,221,652	1,158,190
Supplementary Government Income	52,657	49,395
EU Funding	-	3,626
	<u>1,274,309</u>	<u>1,211,211</u>

4. Income raised from Bye-Laws

	2019	2018
	€	€
Bye-Laws - Advertising on Street Furniture	<u>29,543</u>	<u>30,318</u>

5. Local Enforcement System

	2019	2018
	€	€
Administrative reimbursement on fines collected	<u>7,388</u>	<u>11,311</u>

6. General Income

	2019	2018
	€	€
Community Services	1,430	570
Cultural Events	3,090	1,060
General Income	360	-
Tender Documents/Info. Charges	625	763
Media Advertising	2,519	847
Refund of expenses	224,532	50,825
Insurance Claims	-	1,293
Income from Permits	<u>218,802</u>	<u>218,545</u>
	<u>451,358</u>	<u>273,903</u>

7. Profit for the year

	2019	2018
	€	€
Profit/(Loss) for the year is stated after charging:		
Staff salaries	187,870	190,754
Depreciation of intangible assets	460	1,639
Depreciation of tangible assets	108,814	514,032
	<u>187,870</u>	<u>514,032</u>

Staff salaries

	2019	2018
	€	€
Mayor's Remuneration	20,006	16,527
Councillors' Allowances	20,833	11,925
Executive Secretary Salary and Allowances	24,620	34,913
Employees' Salaries	111,705	114,995
Social Security Contributions	10,706	12,394
	<u>187,870</u>	<u>190,754</u>

Average number of people employed

Employees	7	7
Mayor & Councillors	13	11
	<u>7</u>	<u>11</u>

8. Operations and Maintenance

	2019	2018
	€	€
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	20,686	26,995
Signs	7,727	9,775
Road Markings	16,878	7,122
Office Furniture and Equipment	387	204
Sundry Repairs	5,639	-
Other repairs and Upkeep	74,091	44,564
	<u>125,408</u>	<u>88,660</u>

<i>Contractual Services:</i>		
Waste Disposal	167,847	159,796
Refuse Collection	452,500	238,455
Bulky Refuse Collection	34,313	34,313
Hiring of Bins on Wheels	-	17,502
Cleaning Services	30,574	2,950
Road & Street Cleaning	158,677	157,764
Cleaning - Public Conveniences	24,964	28,636
Cleaning - Council Premises	3,321	3,226
Clean. & Maint. Parks & Gardens	55,938	55,938
Street Lighting	18,984	29,052
Studies & Consultations	1,506	1,350
Local Enforcement Expenses	732	1,293
	<u>949,356</u>	<u>730,275</u>
Total Operations and Maintenance Costs	<u>1,074,764</u>	<u>818,935</u>

9. Administration and other expenditure

	2019	2018
	€	€
Utilities	64,086	54,352
Other repairs and upkeep	18,714	24,120
Rent	3,911	4,423
National and International Memberships	1,930	968
Office Services	13,571	17,414
Transport	7,963	3,565
Travel	1,516	2,441
Information Services	18,132	8,430
Lease of Equipment	15,398	-
Insurance Coverage	3,931	2,938
Bank Charges	186	363
Professional Services	65,036	84,872
Training	5,403	10,508
Other Hospitality Costs	1,853	794
Social Events	45,323	25,251
Cultural Events	4,694	355
Sundry Minor Expenses	1,627	2,776
Provision for Doubtful Debtors	(3,356)	(4,539)
Bad Debts Written Off	-	349
Depreciation and amortisation	109,274	515,671
	<u>379,192</u>	<u>755,051</u>

10. Finance Income

	2019	2018
	€	€
Bank interest receivable	348	295
	<u>348</u>	<u>295</u>

11. Intangible fixed assets

	Computer Software €
Cost	
At 1 January 2018	6,881
Additions	1
At 1 January 2019	6,882
Assets capitalised	438
At 31 December 2019	7,320
Provision for diminution in value	
At 1 January 2018	3,859
Charge for year	1,639
At 1 January 2019	5,498
Charge for year	460
At 31 December 2019	5,958
Grants	
Grants allocated for the year	438
At 31 December 2019	438
Net book values	
At 31 December 2019	924
At 31 December 2018	1,384

**Notes to the Financial Statements
for the year ended 31 December 2019**

12. Property, plant and equipment

	Property	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & equipment	Office Furniture & fittings	Motor vehicles	Special Programmes	Total
	€	€	€	€	€	€	€	€	€
Cost									
At 1 January 2018	181,448	336,484	98,345	1,275,961	71,947	51,974	17,026	1,784,948	3,818,133
Additions	-	402,983	-	62,732	9,757	1,226	-	75,542	552,240
Assets Capitalised	-	(257,604)	-	-	-	-	-	257,604	-
At 31 March 2019	<u>181,448</u>	<u>481,863</u>	<u>98,345</u>	<u>1,338,693</u>	<u>81,704</u>	<u>53,200</u>	<u>17,026</u>	<u>2,118,094</u>	<u>4,370,373</u>
Depreciation									
At 1 January 2018	31,975	-	98,345	807,210	41,670	29,543	15,381	834,798	1,858,922
Charge for the year	1,761	-	-	204,178	10,008	9,296	1,645	287,144	514,032
At 31 March 2019	<u>33,736</u>	<u>-</u>	<u>98,345</u>	<u>1,011,388</u>	<u>51,678</u>	<u>38,839</u>	<u>17,026</u>	<u>1,121,942</u>	<u>2,372,954</u>
Grants									
At 1 January 2018	9,645	-	-	93,453	12,329	2,301	-	527,832	645,560
Grants allocated for year	-	-	-	39,141	-	-	-	217,847	256,988
At 31 December 2018	<u>9,645</u>	<u>-</u>	<u>-</u>	<u>132,594</u>	<u>12,329</u>	<u>2,301</u>	<u>-</u>	<u>745,679</u>	<u>902,548</u>
Net book values									
At 31 December 2018	<u><u>138,067</u></u>	<u><u>481,863</u></u>	<u><u>-</u></u>	<u><u>194,711</u></u>	<u><u>17,697</u></u>	<u><u>12,060</u></u>	<u><u>-</u></u>	<u><u>250,473</u></u>	<u><u>1,094,871</u></u>

**Notes to the Financial Statements
for the year ended 31 December 2019**

12. Property, plant and equipment

	Property	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & equipment	Office Furniture & fittings	Motor vehicles	Special Programmes	Total
	€	€	€	€	€	€	€	€	€
Cost									
At 1 January 2019	181,448	481,863	98,345	1,338,693	81,704	53,200	17,026	2,118,094	4,370,373
Additions	-	151,670	-	645	2,113	2,350	-	-	156,778
Assets Capitalised	-	(125,680)	-	16,114	469	-	-	108,659	(438)
Assets Disposed	-	-	-	-	-	(221)	-	-	(221)
At 31 December 2019	181,448	507,853	98,345	1,355,452	84,286	55,329	17,026	2,226,753	4,526,492
Depreciation									
At 1 January 2019	33,736	-	98,345	1,011,388	51,678	38,839	17,026	1,121,942	2,372,954
On disposal	-	-	-	-	-	(221)	-	-	(221)
Charge for the year	1,761	-	-	42,069	6,847	2,219	-	55,918	108,814
At 31 December 2019	35,497	-	98,345	1,053,457	58,525	40,837	17,026	1,177,860	2,481,547
Grants									
At 1 January 2019	9,645	-	-	132,594	12,329	2,301	-	745,679	902,548
Grants allocated for year	-	-	-	-	469	-	-	-	469
At 31 December 2019	9,645	-	-	132,594	12,798	2,301	-	745,679	903,017
Net book values									
At 31 December 2019	136,306	507,853	-	169,401	12,963	12,191	-	303,214	1,141,928

13. Receivables

		2019	2018
		€	€
Receivables	<i>Note</i>	108,108	13,875
LES Debtors	<i>Note</i>	2,618	2,618
Other receivables		6,465	6,443
Accrued income		391,441	443,896
Financial assets		508,632	466,832
Prepayments		4,412	11,004
		513,044	477,836

Receivables

General receivables are analysed as follows:

		2019	2018
		€	€
Within credit period		4,159	8,071
Exceeded credit period but not impaired		103,949	5,804
Impaired and provided for		140,912	142,219
Provision for doubtful debts		(140,912)	(142,219)
		108,108	13,875

13. Receivables (cont.)

Included in the receivables are debtors with a carrying amount of € 103,949 (2018: € 5,804) which are past due at the reporting date for which the council has not provided as there has not been significant change in credit quality and the amounts are still considered recoverable. The age of financial assets past due but not impaired is as follows:

	2019	2018
	€	€
Not more than 3 months	15,031	2,253
More than 3 months but not more than 6 months	4,038	45
More than 6 months	84,880	3,506
	<u>103,949</u>	<u>5,804</u>

The movement in the provision for doubtful debts is as follows:

	2019	2018
	€	€
Balance at 1 January	142,219	140,925
(Decrease)/Increase in provision for general receivables	(1,307)	1,294
	<u>140,912</u>	<u>142,219</u>

Local Enforcement System (LES) Debtors

LES Debtors are stated after a specific provision for doubtful debts amounting to €658,803 (2018 - €660,852).

14. Notes to the Statement of Cash Flows

Cash and cash equivalents included in the Statement of Cash Flows comprise the following amounts in the Statement of Financial Position:

	2019	2018
	€	€
Bank Balances	922,001	676,914
Cash in Hand	620	441
	<u>922,621</u>	<u>677,355</u>

15. Payables

	2019	2018
	€	€
Payables	558,162	455,861
Other taxes and social security costs	381	336
Other creditors	1,468	1,468
Accruals	41,104	87,836
Financial liabilities	601,115	545,501
Other Deferred Income	16	1,627
	601,131	547,128

16. Deferred income

	2019	2018
	€	€
Government grants		
At 1 January 2019	315,995	313,244
Increase in year	152,855	259,739
	468,850	572,983
Released and allocated during the year	(907)	(256,988)
At 31 December 2019	467,943	315,995
Non-Current Deferred Income	467,943	315,995
Deferred Government Grants		
Deferred between two and five years	467,943	315,995

17. Capital commitments

	2019	2018
	€	€
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	943,000	702,060
(i) Approved but not yet contracted for:		
Urban Improvements	80,000	40,000
Office Furniture & Fittings	10,000	10,000
Vincenzo Apap Monument	12,000	12,000
Office Equipment	8,000	8,000
Road Resurfacing	-	320,060
Car Park Project	50,000	15,000
Embellishment Dingli Street	-	70,000
Embellishment of Public Convenience - Ferro Bay	100,000	100,000
Tony Nicholl Monument	5,000	7,000
Construction of Public Convenience - The Strand	120,000	120,000
Construction of Pavements	270,000	-
Construction of Pavements - High Street	228,000	-
Restoration of Niches	60,000	-
	943,000	702,060
(ii) Contracted for but not provided in the Financial Statements:		
	-	-

The projects outlined above will be mainly financed through funds received from the Regional Committee out of the administration of the Local Enforcement System, the Urban Development Fund and other ordinary funds earmarked specifically out of the annual allocation granted to the Council by Central Government.

18. Contingent liabilities

The Council signed a Joint Cooperation Agreement with Pembroke, San Giljan, San Gwann and Swieqi Councils on the 3rd November 1999. This was further amended by an agreement signed on 14th August 2002 where the Council entered into a Pooling agreement. Clause 18.1 of the said agreement entails that the Council deposits €2,329 as a bank guarantee. This is to indemnify the Joint Committee against any breach of the agreement by Local Council Sliema.

A contractor company has instituted a court case against the Council whereby the company is claiming that the amount payable to the Council of €89,767 for various permits, is not due and on the contrary, the Council should pay an additional amount of €17,594 over and above the amount €67,230 which is already recognised in the financial statements on account of various construction and resurfacing works carried out in the locality.

The Water Services Corporation has launched a claim against the Council with respect to unbilled water consumption at Bonello Du Puis Gardens, Qui-Si-Sana Sea Front. This claim amounts to a total bill of €110,261 covering the period 24th September 2013 till 29th January 2018.

An individual has launched a claim against the Council with respect to injuries sustained due to an accident which occurred at the Sliema Promenade during 2018. The individual is claiming expenses amounting to € 9,545.

As at 31 December 2019 (2018: Nil), the Council committed a Bank Guarantee in favour of the Planning Authority and amounting to €6,100 in connection with a Project to construct a Car Park Facility in the locality. The Council would be required to pay damages and penalties to the Planning Authority in the event that it does not execute the project in line with what is expected of it under the terms of the development permit.

19. Related party transactions

During the year under review, the Council carried out transactions with the following related parties:

<i>Name of Entity</i>	<i>Nature of relationship</i>
Ministry for Tourism	Significant control
Department of Local Councils	Significant control
Lvant Joint Committee (Local Enforcement)	Joint Control
Northern Harbour District Joint Committee	Joint Control
Central Regional Committee	Joint Control
Gozo Regional Committee	No control
South Regional Committee	No control
North Regional Committee	No control
South Eastern Regional Committee	No control
Local Enforcement System Authority	No control
Transport Malta	No control
Department of Information	No control
Director General - DEF	No control
Manufacturing and Servicing Department	No control
Ministry for Resources and Rural Affairs (Dissolved at 31 December 2013)	No control
Ministry of Education - Permanent Secretary	No control
Malta Communications Authority	No control
College Principal - St. Claire College	No control
Local Councils Association Malta	No control
Department of Lands	No control
CVA Technology Limited	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Cleansing Services Department	No control
Director General - Works Division	No control
ARMS Limited	No control
Commissioner of Police	No control
Ministry for Interior and National Security - Permanent Secretary	No control
Wasteserv Malta Limited	No control

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

	2019	2018
	€	€
Annual Financial Allocation	1,221,652	1,158,190

Key management compensation

Transactions with key management personnel are disclosed in note 7. The key management personnel of the Council is composed of the Mayor, Councillors and Executive Secretary. Amounts paid to Key Management Personnel for the year amounted to € 66,529 (2018: € 65,781)

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:

	2019	2018
	€	€
<i>Classes of financial assets - carrying amounts</i>		
Trade and other receivables	508,632	466,832
Cash and cash equivalents	922,621	677,355
	<u>1,431,253</u>	<u>1,144,187</u>

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 and cash equivalents the amount of € 922,621. 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 € 1,509,443 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

At 31 December 2019, the Council's financial liabilities have contractual maturities which are summarised below:

	Current	Non-Current	
	within	1 to 5	later than
	1 year	5 years	5 years
	€	€	€
Payables	558,162	-	-
Other taxes and social security costs	381	-	-
Other creditors	1,468	-	-
Accruals	41,104	-	-
	<u> </u>	<u> </u>	<u> </u>

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

	Current	Non-Current	
	within	1 to 5	later than
	1 year	5 years	5 years
	€	€	€
Payables	455,861	-	-
Other taxes and social security costs	336	-	-
Other creditors	1,468	-	-
Accruals	87,836	-	-
	<u> </u>	<u> </u>	<u> </u>

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 objective 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.

	2019	2018
	€	€
Current assets		
Loans and receivables:		
Trade and other receivables	508,632	466,832
Cash and cash equivalents	922,621	677,355
	<u>1,431,253</u>	<u>1,144,187</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	558,162	455,861
Other taxes and social security costs	381	336
Other creditors	1,468	1,468
Accruals	41,104	87,836
	<u>601,115</u>	<u>545,501</u>

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.