

Siggiewi Local Council

Report and Financial Statements

For the year ended 31 December 2021

Prepared by:

PKF Malta Limited

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Financial Statements for the year ended 31 December 2021**Statement of Local Council Members' and Executive Secretary's Responsibilities**

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 income and expenditure 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 21 February 2022 and signed on its behalf by:



Mr. Dominic Grech
Mayor



Ms. Riffenne Giorgino
Executive Secretary



Statement of Comprehensive Income for the year ended 31 December 2021

	Note	2021 Euro	2020 Euro
Income			
Funds received from central government	4	973,370	911,313
Income raised from Bye-Laws	5	36,933	31,881
Local Enforcement Income	6	1,058	1,963
Investment Income	7	-	26
General Income	8	35	7,245
		<u>1,011,396</u>	<u>952,428</u>
Expenditure			
Personal emoluments	9	(123,757)	(119,172)
Operations and maintenance	10	(391,745)	(386,010)
Administration and other expenditure	11	(339,699)	(283,620)
Finance Cost	12	(513)	-
		<u>(855,714)</u>	<u>(788,802)</u>
Surplus for the year		<u>155,682</u>	<u>163,626</u>
Other Comprehensive Income		-	-
Total Comprehensive Income		<u>155,682</u>	<u>163,626</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.



Statement of Financial Position as at 31 December 2021

	Notes	2021 Euro	2020 Euro
Assets			
Non-current Assets			
Property, Plant and Equipment	13	<u>1,098,657</u>	<u>1,190,052</u>
Current Assets			
Receivables	14	38,638	50,142
Cash and Cash Equivalents	15	<u>1,279,847</u>	<u>1,035,783</u>
		<u>1,318,485</u>	<u>1,085,925</u>
Total assets		<u><u>2,417,142</u></u>	<u><u>2,275,977</u></u>
Reserves and Liabilities			
Reserves			
Retained Funds		<u>2,153,477</u>	<u>1,997,795</u>
Non-Current Liabilities			
Lease Liability	17	<u>7,137</u>	<u>-</u>
Current Liabilities			
Bank Balances Overdrawn	15	-	69,038
Payables	16	253,865	209,144
Lease Liability	17	<u>2,663</u>	<u>-</u>
		<u>256,528</u>	<u>278,182</u>
Total Liabilities		<u><u>263,665</u></u>	<u><u>278,182</u></u>
Total reserves and liabilities		<u><u>2,417,142</u></u>	<u><u>2,275,977</u></u>

The above balance sheet should be read in conjunction with the accompanying notes.

The financial statements were approved by the Council on 21 February 2022 and were signed on its behalf by:



 Mr. Dominic Grech
 Mayor



 Ms. Ritiene Giorgino
 Executive Secretary

Statement of Changes in Equity for the year ended 31 December 2021

	Retained Funds
	Euro
Balance at 1 January 2020	1,834,169
Surplus for the year	163,626
Other Comprehensive Income	-
Total Comprehensive income	<u>163,626</u>
Balance at 31 December 2020	<u>1,997,795</u>
Balance at 1 January 2021	1,997,795
Surplus for the year	155,682
Other Comprehensive Income	-
Total Comprehensive income	<u>155,682</u>
Balance at 31 December 2021	<u>2,153,477</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows for the year ended 31 December 2021

	Notes	2021 Euro	2020 Euro
Cash flow from operating activities			
Surplus for the year		155,682	163,626
Adjustments for:			
Depreciation		118,856	113,785
Interest receivable		-	(26)
Interest payable		513	-
Release of Deferred income		-	(25,070)
		<u>275,051</u>	<u>252,315</u>
Movement in payables		30,473	(14,272)
Movement in receivables		<u>11,503</u>	<u>74,187</u>
<i>Net cash from operating activities</i>		<u>317,027</u>	<u>312,230</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(42,132)	(47,089)
Interest received		-	26
Grants received from Government		27,028	19,953
<i>Net cash used in investing activities</i>		<u>(15,104)</u>	<u>(27,110)</u>
Cash flows from financing activities			
Lease payments		(2,557)	-
Lease interest paid		(513)	-
Deferred Income Received		14,249	-
<i>Net cash from financing activities</i>		<u>11,179</u>	<u>-</u>
Movement in cash and cash equivalents		<u>313,102</u>	<u>285,120</u>
Cash and cash equivalents at beginning of year		<u>966,745</u>	<u>681,625</u>
Cash and cash equivalents at end of year	15	<u>1,279,847</u>	<u>966,745</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

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Notes to the Financial Statements for the year ended 31 December 2021**1. General Information**

The Siggiewi Local Council is a local government set up by the Local Councils Act, 1993. The office of the Council is situated at Siggiewi Civic Centre - 18, Pjazza San Nikola, Siggiewi. The Local Council's presentation as well as the functional currency are denominated in € (euro). The financial statements were authorised for issue by the Council on 21 February 2022. Siggiewi Local Council prepares the financial statements on a yearly basis from 1st January to 31st December.

2. 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 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).

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 as adopted by the EU.

Standards, interpretations and amendments to published standards as endorsed by the EU effective in the current year

In the current year, the Council has applied new and amended IFRS Standards issued by the International Accounting Standards Board (IASB) and adopted by the EU that are mandatorily effective in the EU for an accounting period that begins on or after 1 January 2021. The adoption of new and amended standards did not have a material impact on the Council's financial statements.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2 (effective for annual reporting periods beginning on or after 01 January 2021)
- Amendment to IFRS 16 COVID-19 Related Rent Concessions (effective for annual reporting periods beginning on or after 01 April 2021)

Notes to the Financial Statements for the year ended 31 December 2021

2. Reporting Procedures (Continued)**Standards, amendments and interpretations to published standards as endorsed by the EU that are not yet effective.**

At the date of the 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 Council. The Council anticipates that all the relevant pronouncements will be adopted in the Council's accounting policies upon their effective date.

- Amendments to IFRS 3 Reference to the Conceptual Framework (effective for annual reporting periods beginning on or after 1 January 2022)
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (effective for annual reporting periods beginning on or after 1 January 2022)
- Amendments to IAS 37 Onerous Contracts Cost of Fulfilling a Contract (effective for annual reporting periods beginning on or after 1 January 2022)
- Annual Improvements to IFRS Standards 2018-2020 (effective for annual reporting periods beginning on or after 1 January 2022)

Standards, interpretations and amendments to published standards that are not yet endorsed by the EU.

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current (effective for annual reporting periods beginning on or after 1 January 2023)
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 (effective for annual reporting periods beginning on or after 1 January 2023)
- Amendments to IAS 8 Definition of Accounting Estimates (effective for annual reporting periods beginning on or after 1 January 2023)
- IFRS 17 - Insurance Contracts (effective for annual reporting periods beginning on or after 1 January 2023)
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual reporting periods beginning on or after 1 January 2023)

The Council is still assessing the effect of these changes on the financial statements, however certain new standards and interpretations are not expected to have a material impact on the Council's financial statements.

Notes to the Financial Statements for the year ended 31 December 2021**3. Accounting policies****Income recognition**

Income in general is stated when there is reasonable certainty that the income would be receivable and thus can be accrued for. Other income such as that derived from the organisation of courses, cultural, sporting and social activities is only recognised on a cash basis.

During 2021, the amount disclosed in the financial statements under Local Enforcement Income represented the share of profit derived from the administrative fee of 10% that is chargeable to the respective Regional Committees for contraventions paid at the Council.

Right of Use Asset

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Council expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

The Council has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease Liability

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Council's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liability are measured at amortised cost using the effective interest method. The carrying amounts are re-measured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is re-measured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Notes to the Financial Statements for the year ended 31 December 2021

3. Accounting policies (Continued)**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation, impairment loss to date and grants received for specific projects. Depreciation is calculated on a monthly basis using the straight-line method of depreciation at rates estimated to write down the cost of all assets over their expected useful life, other than land and trees as follows:

	Rates in %
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
Playground furniture	100

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

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

Impairment of property, plant and equipment

At the end of each reporting period, the Council reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Council estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Notes to the Financial Statements for the year ended 31 December 2021

3. Accounting policies (Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Related Parties

Related parties are those persons or bodies of persons having relationships with the council as defined in IAS 24. During the year under review, the Local Council's related party that exercises a significant control was the Department for Local Government.

Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Comprehensive Income.

Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Council will not be able to collect all amounts receivable.

Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are considered as indicators that the amount to be received is impaired. Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The amount of the provision is recognised in the Statement of Income and Expenditure.

Notes to the Financial Statements for the year ended 31 December 2021**3. Accounting policies (Continued)****Payables and borrowings**

Payable and borrowing costs are recognised as an expense in the period in which they are incurred. Amounts payable comprise creditor payments, that is, the amounts payable for the procurement of supplies and services. When an invoice or request for payment is received from a supplier, this is checked to the purchase order previously issued or the service contract, before payment is released in favour of any vendor. All cheque payments are signed by the Mayor and Executive Secretary and then reconciled with the bank statements on a monthly basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for the intended use or sale.

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Council will comply with the conditions attaching to them and that the grants will be received.

As described in the property, plant and equipment note above the council was instructed to adopt the capital approach of government grants as from 1 January 2018, as opposed to the previously used income approach as per IAS 20.

Under the capital approach grants received are deducted from the respective asset's carrying account it was received for. This is shown as a separate line item in the property, plant and equipment note below.

Foreign currencies

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Local Council operates. These Financial Statements are presented in Euro which is the Council's functional and presentation currency.

Surplus and deficits

Only surpluses that were realised at the date of the Statement of Financial Position are recognised in these Financial Statements. All foreseeable liabilities and potential deficits 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 cash 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.

Notes to the Financial Statements for the year ended 31 December 2021

3. Accounting policies (Continued)**Critical accounting estimates and judgements**

The preparation of financial statements in conformity with IFRS requires council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

In the opinion of the council members, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

Capital management policies and procedures

The council's Capital consists of its net assets, including working capital, represented by its retained funds. The council's management objective are to ensure the councils ability to continue as a going concern is still valid and that the council maintains a positive working capital ratio. To achieve this, the council carries out a quarterly review of the working capital ratio (financial situation indicator). This ratio was positive at the reporting date. 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

The Council adopted IFRS 9 as from 1 January 2018. The standard introduced new classification and measurement models for financial assets.

A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through

other comprehensive income ("FVOCI") if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the council makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in Other Comprehensive Income (OCI). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch.

Notes to the Financial Statements for the year ended 31 December 2021**3. Accounting policies (Continued)****Financial Instruments (Continued)**

For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the council's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the council. New impairment requirements use an 'expected credit loss' ("ECL") model to recognise an allowance. Impairment is measured using a 12-month ECL unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

During the year the Council did not recognize any expected credit losses.

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 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'.

Notes to the Financial Statements for the year ended 31 December 2021

	2021	2020
	Euro	Euro
4. Funds received from central government		
In terms of section 55 of the Local Councils Act (Cap 363)	864,445	849,532
Supplementary Government Income	<u>108,925</u>	<u>61,781</u>
	<u><u>973,370</u></u>	<u><u>911,313</u></u>
	2021	2020
	Euro	Euro
5. Income raised from Bye-Laws		
Income raised under Local Council Bye-Laws	<u>36,933</u>	<u>31,881</u>
	2021	2020
	Euro	Euro
6. Local Enforcement Income		
Income from Contraventions	22	285
Regional Committees	<u>1,036</u>	<u>1,678</u>
	<u><u>1,058</u></u>	<u><u>1,963</u></u>
	2021	2020
	Euro	Euro
7. Investment Income		
Bank interest	<u>-</u>	<u>26</u>
	2021	2020
	Euro	Euro
8. General Income		
Income from other activities	<u>35</u>	<u>7,245</u>

Notes to the Financial Statements for the year ended 31 December 2021

	2021 Euro	2020 Euro
9. Personal Emoluments		
Mayor's allowance	17,668	15,027
Executive Secretary's salary	27,101	26,091
Employees' wages and salaries	56,768	53,691
Councillors' allowances	15,400	17,800
Social Security Contributions	6,820	6,563
	<u>123,757</u>	<u>119,172</u>

	2021 Euro	2020 Euro
10. Operations and Maintenance		
Repairs and upkeep:		
Road and street pavements (Patching works)	22,897	39,472
Walkways	-	4,520
Street signs	19,118	16,281
Road Markings	4,589	2,449
	<u>46,604</u>	<u>62,722</u>
Contractual services:		
Refuse collection (including bins on wheels)	70,838	73,159
Bulky refuse collection (including open skips)	96,933	84,587
Road and Street Cleaning (mechanical and manual)	62,490	59,154
Cleaning and Maintenance of Non-Urban Roads	55,010	50,862
Cleaning and Maintenance of Public Conveniences	9,735	8,352
Cleaning and Maintenance of Parks and Gardens	18,706	28,075
Cleaning and Maintenance of Beaches and Catchment areas	13,624	3,701
Street Lighting	17,460	15,248
Local Enforcement Expenses	345	150
	<u>345,141</u>	<u>323,288</u>
	<u>391,745</u>	<u>386,010</u>

Notes to the Financial Statements for the year ended 31 December 2021

	2021 Euro	2020 Euro
11. Administration and other expenditure		
Utilities	18,713	16,098
Other repairs and upkeep	64,700	41,578
Rent	2,435	3,322
National and International Memberships	6	700
Office services	12,457	7,389
Transport	5,222	3,559
Information services	12,005	14,673
Other contractual services	21,394	17,257
Professional services	27,787	27,513
Education and Training	10,475	-
Social events	8,851	14,670
Cultural events	30,535	14,829
Donations	-	8,247
Community services	6,263	-
Depreciation	<u>118,856</u>	<u>113,785</u>
	<u>339,699</u>	<u>283,620</u>
	2021 Euro	2020 Euro
12. Finance Costs		
Lease liability interest	<u>513</u>	<u>-</u>

Notes to the Financial Statements for the year ended 31 December 2021

13. Property, Plant and Equipment

	Right of Use Asset	Council Premises	Office Furniture	New Street Signs	Office Equipment	Plant & Machinery	Urban Improvements	Special Prg. Re-surf	Asset Under Construction	Total
	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
Cost										
As at 1 January 2021	-	532,927	15,156	25,283	45,737	9,738	1,344,008	3,245,536	5,196	5,226,581
Additions	12,357	-	2,671	-	1,668	-	29,430	-	8,363	54,489
As at 31 December 2021	12,357	532,927	17,827	25,283	60,405	9,738	1,373,438	3,245,536	13,559	5,281,070
Grants and Other Reimbursements										
As at 1 January 2021	-	-	-	-	(1,951)	-	(798,221)	(859,272)	-	(1,659,444)
Additions	-	-	-	-	-	-	(27,028)	-	-	(27,028)
As at 31 December 2021	-	-	-	-	(1,951)	-	(825,249)	(859,272)	-	(1,686,472)
Depreciation										
As at 1 January 2021	-	(36,044)	(4,452)	(25,283)	(35,766)	(9,736)	(370,117)	(1,895,683)	-	(2,377,086)
Charge for the year	(2,746)	(5,122)	(1,037)	-	(5,261)	-	(34,097)	(70,593)	-	(118,856)
As at 31 December 2021	(2,746)	(41,166)	(5,489)	(25,283)	(41,029)	(9,736)	(404,214)	(1,966,276)	-	(2,495,941)
Net Book Value										
As at 31 December 2021	9,611	491,761	12,338	-	7,425	-	143,975	419,368	13,559	1,008,657

Notes to the Financial Statements for the year ended 31 December 2021

13. Property, Plant and Equipment (Continued)

	Council Premises	Office Furniture	New Street Signs	Office Equipment	Plant & Machinery	Urban Improvements	Special Prg. Re-surf	Asset Under Construction	Total
	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
Cost									
As at 1 January 2020	532,927	15,156	25,283	45,884	9,738	1,278,370	3,242,569	29,545	5,179,492
Additions	-	-	-	2,853	-	65,638	2,947	-	71,438
Deductions	-	-	-	-	-	-	-	(24,349)	(24,349)
As at 31 December 2020	532,927	15,156	25,283	48,737	9,738	1,344,008	3,245,536	5,196	5,226,581
Grants and other reimbursements									
As at 1 January 2020	-	-	-	-	-	(780,219)	(859,272)	-	(1,639,491)
Additions	-	-	-	(1,951)	-	(18,002)	-	-	(19,953)
As at 31 December 2020	-	-	-	(1,951)	-	(798,221)	(859,272)	-	(1,659,444)
Depreciation									
As at 1 January 2020	(30,922)	(3,475)	(25,283)	(30,922)	(9,738)	(337,626)	(1,825,334)	-	(2,263,300)
Charge for the year	(5,122)	(977)	-	(4,546)	-	(32,491)	(70,349)	-	(113,785)
As at 31 December 2020	(36,044)	(4,452)	(25,283)	(35,768)	(9,738)	(370,117)	(1,895,683)	-	(2,377,085)
Net Book Value									
As at 31 December 2020	496,883	10,704	-	11,018	-	175,670	490,581	5,196	1,190,052

Notes to the Financial Statements for the year ended 31 December 2021

	2021	2020
	Euro	Euro
14a. Receivables		
Trade receivables	7,940	26,445
Provision for doubtful debts	(458)	(458)
LES	54,737	54,737
LES Provision	(54,737)	(54,737)
Other Debtors	1,000	1,000
Accrued income	23,705	19,512
Financial Asset	32,187	46,499
Advance payments to suppliers	1,255	279
Prepayments	5,196	3,364
	<u>38,638</u>	<u>50,142</u>

14b. Receivables

Trade Receivables are analysed as follows:

	2021	2020
	Euro	Euro
Within Credit Period	-	3,443
Exceeded Credit Period	7,940	23,002
Provision for Doubtful Debts	(458)	(458)
	<u>7,482</u>	<u>25,987</u>

15. Cash and Cash Equivalents

Cash and cash equivalents included in the cash flow statement comprise the following amounts in the Local Council Statement of Financial Position:

	2021	2020
	Euro	Euro
Cash at bank	1,279,847	1,035,783
Bank balances overdrawn	-	(69,038)
Cash and cash equivalents at year-end	<u>1,279,847</u>	<u>966,745</u>

Notes to the Financial Statements for the year ended 31 December 2021

	2021 Euro	2020 Euro
16. Payables		
<i>Current Liabilities</i>		
Trade payables	123,537	138,691
Accruals	64,236	18,479
Deferred income	66,222	51,974
Advance payments from suppliers	(130)	-
	<u>253,865</u>	<u>209,144</u>

	Euro	Euro
<i>Deferred Income</i>		
Balance at the beginning of the year	51,974	77,043
Additions during the year	724,121	4000
Release of deferred income	(709,873)	(27,118)
Adoption of the Capital Approach as per IAS20	-	(1,951)
Balance at the end of the year	<u>66,223</u>	<u>51,974</u>

Short-Term Deferred Income	<u>66,223</u>	<u>51,974</u>
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Long-Term Deferred Income	<u>-</u>	<u>-</u>
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	2021 Euro	2020 Euro
17. Lease Liability		
Lease liability	<u>9,800</u>	<u>-</u>

The maturity of lease commitments is analysed as follows:

	2021 Euro	2020 Euro
Less than one year	2,663	-
More than 1 year but less than 5 years	7,137	-
Total lease liabilities at 31 December	<u>9,800</u>	<u>-</u>
Current	<u>2,663</u>	<u>-</u>
Non-Current	<u>7,137</u>	<u>-</u>

Notes to the Financial Statements for the year ended 31 December 2021

17. Lease Liability (Continued)

Lease Liability refers to the lease of the Local Council Premises that have been leased out to the Siggiewi Local Council. It is a 15 years renewable lease that commenced on 1st July 2010. The council intends to renew this lease continuously. It will be renewed on 1st July 2025.

All works and repairs are a sole responsibility of the council. The rent of 3,070 Euro is payable half yearly in advance.

IFRS 16 exemptions were taken into consideration. However, since the lease started in the year 2010, which is long term, and the premises are not of low value, the exemptions under IFRS 16 do not apply.

	01 January 2021 Euro
Operating lease commitments (IAS 17)	13,815
Operating lease commitments discounted based on weighted average incremental borrowing rate of 4.15%	(1,458)
Lease liability (IFRS 16)	<u>12,357</u>

18. Capital Commitments

For the year ending 31 December 2021, the council approved the following Capital Commitments,

Authorised by the Local Council and contracted:

Description	Capital Commitments €	Grants Approved €
Measure 4.3 - rural roads	878,366	790,529
Measure 4.4 - rubble walls (procurement stage)	172,953	138,362
Measure 4.4 – rubble walls	33,995	27,196
Measure 2 – Strengthening a healthy cultural identity	9,842	7,873
Measure 1 – Restoration of a statue	40,970	32,776

During 2021, the council approved the cancellation of Measure 4 – Majjistral Action Group – Development of Green Infrastructure.

19. Contingent Liabilities

The Siggiewi Local Council currently has two pending court cases in the following names:

"Cem Kofoglu vs Infrastructure Malta & Siggiewi Local Council" for damages to be determined and awarded by the Courts, and

"Gasamamo Insurance Ltd vs Siggiewi Local Council" to recoup damages paid by the insurance company amounting to €1,668.24 together with legal expenses and interest.

Notes to the Financial Statements for the year ended 31 December 2021

20. Post Balance Sheet Event

There were no particular important events affecting the operation of the council since the end of the accounting year.

21. Financial Risk Management

Financial assets include equity, other receivables and cash held at bank and in hand. Financial liabilities include other payables and long-term borrowings.

The Council is exposed to a variety of financial risks: market risk, credit risk and liquidity risk. The Council's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance.

The Council adopts an overall risk management to maintain and control its exposures.

Cash and cash equivalents

As at 31 December 2021, the Council held balances with Bank of Valletta p.l.c which is a local financial institution. The Council held no other balances at any other bank. The credit rating assigned to Bank of Valletta p.l.c is set at BBB and is considered satisfactory. The Council considers that there is a low probability of default relating to a local bank and that the counterparty has a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Council.

*Market risk**i) Cash flow and fair value interest rate risk*

As the Council has no interest-bearing assets, the Council's income and operating cash flows are independent of changes in market interest rates. Although the Council has borrowings issued at fixed rates, the exposure to fair value interest rate risk is limited and ultimately endorsed by Central Government.

ii) Credit Risk

Credit risk on amounts receivable is limited through the systematic monitoring of outstanding balances and the presentation of debtors' net of allowances for doubtful debts, where applicable. Cash is placed with reputable banks.

Credit risk arises ever increasing variances between the main council's income, that provided by Central Government, and the cost of its outsourced services which are mostly exposed to commodity risks. Furthermore, the huge reduction of other revenue from LES, following its restructuring through central government, and Permits could well expose the Council even more to credit issues unless this shortfall is recovered from other sources.

The maximum exposure to credit risk at the reporting date in respect of the financial assets mentioned above is disclosed in the respective notes to the financial statements. Assets recognised at the end of the reporting period and is summarised as follows:

Classes of Financial assets – Carrying Amounts	2021	2020
	Euro	Euro
Trade & Other Receivables (Note 14)	32,187	46,499
Cash and Cash Equivalents (Note 15)	1,279,847	966,745
	<u>1,312,034</u>	<u>1,013,244</u>

Notes to the Financial Statements for the year ended 31 December 2021

21. Financial Risk Management - Continued

The Maximum Exposure to Credit Risk for Trade Receivables at the reporting Date, net of impairment losses, by type of customer is as follows:

Classes of Financial assets – Carrying Amounts	2021 Euro	2020 Euro
Amount Invoiced Not yet Settled by Class:		
Government Owned Entities	<u>7,482</u>	<u>25,987</u>
	<u>7,482</u>	<u>25,987</u>

The council assesses the credit quality of its customers by taking into Account their Financial Standing and past experience. The council considers the credit quality of its financial Assets as being acceptable.

Included in the Council's trade receivables there are no balances which are past due and which have not been provided for.

	2021 Euro	2020 Euro
Current	-	(28,542)
30 Days	-	3,443
60 Days	1,028	6,098
90 Days	75	-
120+ Days	<u>6,837</u>	<u>45,446</u>
	<u>7,940</u>	<u>26,445</u>

iii) Liquidity risk

Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve-month period and ensures that no additional financing facilities are expected to be required over the coming year.

	2021			
	Less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years
Trade Payables	123,537	-	-	-
Other Payables	-	-	-	-
Lease Liability	1,332	1,331	7,137	-
Accruals	<u>64,236</u>	-	-	-

Notes to the Financial Statements for the year ended 31 December 2021

21. Financial Risk Management - Continued

	2020			
	Less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years
Trade Payables	138,691	-	-	-
Other Payables	-	-	-	-
Accruals	18,479	-	-	-

Fair Value 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.

Summary of Financial Assets and Liabilities

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

	2021 Euro	2020 Euro
Current Assets		
Receivables:		
Trade and Other Receivables	32,187	46,499
Cash and Cash Equivalents	1,279,847	966,745
	<u>1,312,034</u>	<u>1,013,244</u>
Current Liabilities		
Financial Liabilities measured at amortised Cost:		
Trade Payables	138,691	138,691
Lease Liability	2,663	-
Accruals	64,236	18,479
	<u>205,590</u>	<u>157,170</u>

Notes to the Financial Statements for the year ended 31 December 2021

22. Related Party Transactions

Identity of Related Parties

All the Authorities set up by Central Government and all the entities which are owned by Central Government are considered to be related parties to the Siggiewi Local Council.

The Siggiewi Local Council has the following related parties exercising:

- I. Significant Control – as per Local Councils Act 1993, Department for Local Government is the major and ultimate controlling related party.
- II. Joint control – South Joint Committee for Local enforcement, South Regional Committee
- III. No Control – Malta Post, Courts of Justice, Waste Services Malta Ltd

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

	2021 Euro	2020 Euro
Annual Financial Allocation	864,445	849,532
Key Management Emoluments		
<i>Executive Secretary</i>	27,101	26,091
<i>Mayor Honoraria</i>	17,668	15,027
<i>Councillors Allowance</i>	15,400	17,800