

San Gwann Local Council

Report and Financial Statements

For the year ended 31 December 2021

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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 comprehensive income of the Local Council's 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 11th August 2022 and signed on its behalf by:



Mr. Trevor Fenech
Mayor

Mr. Kurt Guillaumier
Executive Secretary

Statement of Comprehensive Income For the year ended 31 December 2021

	Notes	2021 Euro	2020 Euro
Income			
Funds received from central government	4	1,021,930	991,084
Income raised under Local Enforcement System	5	18,988	12,857
Other income	6	59,625	50,349
		<u>1,100,543</u>	<u>1,054,290</u>
Expenditure			
Personnel emoluments	7	(214,534)	(187,375)
Operations and maintenance	8	(656,660)	(574,914)
Administration and other expenditure	9	(230,248)	(218,477)
Finance cost	10	-	(214)
		<u>(1,101,442)</u>	<u>(980,980)</u>
(Deficit)/Surplus for the year		<u>(899)</u>	<u>73,310</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

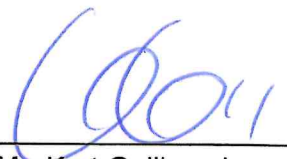
	Notes	2021 Euro	2020 Euro
Assets			
<i>Non-current Assets</i>			
Property, plant and equipment	11	<u>369,937</u>	<u>343,590</u>
<i>Current Assets</i>			
Receivables	12	<u>75,254</u>	<u>210,973</u>
Cash and cash equivalents	13	<u>851,855</u>	<u>746,552</u>
Total Current Assets		<u>927,109</u>	<u>957,525</u>
Total Assets		<u><u>1,297,046</u></u>	<u><u>1,301,115</u></u>
Reserves and Liabilities			
<i>Capital and Reserves</i>			
Retained Earnings		<u>923,557</u>	<u>924,456</u>
		<u>923,557</u>	<u>924,456</u>
<i>Non-current Liabilities</i>			
Deferred income	17	<u>185,936</u>	<u>185,936</u>
Total Non-Current Liabilities		<u>185,936</u>	<u>185,936</u>
<i>Current Liabilities</i>			
Trade and other payables	15	<u>146,452</u>	<u>133,292</u>
Lease liability	16	<u>-</u>	<u>65</u>
Deferred income	17	<u>41,101</u>	<u>26,788</u>
Short-term borrowings	14	<u>-</u>	<u>30,578</u>
Total Current Liabilities		<u>187,553</u>	<u>190,723</u>
Total Liabilities		<u>373,489</u>	<u>376,659</u>
Total Equity and Liabilities		<u><u>1,297,046</u></u>	<u><u>1,301,115</u></u>

The above statement of financial position should be read in conjunction with the accompanying notes.

The financial statements were presented to and approved by the Council on the 11th August 2022 and were signed on its behalf by:



 Mr. Trevor Fenech
 Mayor



 Mr. Kurt Guillaumier
 Executive Secretary

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

	Retained Earnings
	Euro
Changes in equity	
Balance as at 1 January 2020	851,146
Surplus for the year	73,310
Balance at 31 December 2020	<u>924,456</u>
Balance as at 1 January 2021	924,456
Deficit for the year	(899)
Balance at 31 December 2021	<u>923,557</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

	2021 Euro	2020 Euro
	Note	
Cash flows from operating activities		
(Deficit)/Surplus for the year	(899)	73,310
Adjustments for:		
Depreciation	27,001	32,941
Interest payable	-	192
	<u>26,102</u>	<u>106,443</u>
Movement in payables	13,160	18,602
Movement in receivables	135,719	(104,012)
<i>Net cash generated from operating activities</i>	<u>174,981</u>	<u>21,033</u>
Cash flows used in investing activities		
Purchase of property, plant and equipment	(70,774)	(49,103)
<i>Grants received</i>	<u>31,739</u>	<u>-</u>
<i>Net cash generated from/ (used in) investing activities</i>	<u>(39,035)</u>	<u>(49,103)</u>
Cash flows used in financing activities		
Lease payments	(65)	(467)
Payment of long-term borrowings	-	(10,978)
Interest paid	-	(192)
<i>Net cash used in financing activities</i>	<u>(65)</u>	<u>(11,637)</u>
Movement in cash and cash equivalents	135,881	(39,707)
Cash and cash equivalents at beginning of year	<u>715,974</u>	<u>755,681</u>
Cash and cash equivalents at end of year	13 <u>851,855</u>	<u>715,974</u>

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

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

San Gwann Local Council is a local government set up by the Local Councils Act, 1993. The office of the council is situated at 55, R.Carwana Dingli Street, San Gwann. 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 the 28th February 2022.

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 (IFRSs) as adopted by the European Union (EU).

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

The lists below illustrate the recent changes to the Standards that are required to be applied for annual periods beginning after 1 January 2021 and that are available for early adoption in annual periods beginning on 1 January 2021. A number of new and revised standards are effective for annual years beginning on or after 1 January 2021. Information on these new standards is presented below.

- IFRS 16 (Amendments) – Concerning COVID-19-Related Rent Concessions, effective 1 June 2020
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 regarding Interest Rate Benchmark Reform – Phase 2, effective 1 January 2021

Forthcoming requirements

- IFRS 16 (Amendments) - COVID-19-Related Rent Concessions beyond 30 June 2021, effective 1 April 2021

Effective 1 January 2022

- IAS 37 (Amendments) - Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018–2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)

Notes to the Financial Statements for the year ended 31 December 2021 (Continued)**2. Reporting procedures (Continued)**

Effective 1 January 2023

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)

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

Up to date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but which are not yet effective for the current reporting year and which the Council has not early adopted, but plans to adopt upon their effective date. The Council is still assessing the effect of these changes on the financial statements. The new and amended standards are as follows:

- Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16).
- Annual Improvements to IFRS Standards 2018–2020.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).c
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8)

The Council is of the opinion that the adoption of these standards and interpretations will not have a material impact on the financial statements.

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.

As from 1 September 2011, the Central Government re-allocated the full management of the LES system from the Joint Committee to the Regional Offices. From 1 September 2011, San Gwann Local Council will be compensated for the handling of the payments made at its council on a pro rata basis. However as from 1 October, the Administrative fee will no longer be sent to the Regional committees but to Local Enforcement System Agency (LESA). This change is not expected to impact the operations of the Local 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

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

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 remeasurement 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 Liabilities

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 liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured 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 remeasured, 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.

Property, plant and equipment

Freehold land is not depreciated. Furniture and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives. In line with directive 1/2017 the council has adopted the straight-line method of depreciation as from 1 January 2018 instead of the previously used reducing balance method. The estimated useful lives, residual values and depreciation method are renewed at the end of each reporting year, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the statement of comprehensive income.

Notes to the Financial Statements for the year ended 31 December 2021 (Continued)

3. Accounting Policies (Continued)

Tangible fixed assets are stated at cost less accumulated depreciation and grants received for specific projects. Depreciation is calculated on a monthly basis using the reducing balance method at rates estimated to write down the cost of all tangible fixed assets, other than land and trees over their expected useful lives 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

Certain depreciation rates such as those of plants, playground equipment and street lighting had their depreciation rate changed from 10% to 100% in October 2002 by virtue of Legal Notice 323 of 2002. Litter bins and street signs are treated on replacement basis as per memo 121/2011.

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.

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 year 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 year in which they are incurred.

Notes to the Financial Statements for the year ended 31 December 2021 (Continued)**3. Accounting Policies (Continued)****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 - *Accounting for Government Grants and Disclosure of Government Assistance*.

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 schedule.

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 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.

Related Parties

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

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

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

would warrant their description as critical in terms of the requirements of IAS 1 (revised).

Capital Management Policies

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 by means of a Financial Situation Indicator. This ratio was positive as at 31 December 2021 and has not had significant changes from the previous reporting year. The council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments towards the locality.

Financial Instruments*Recognition and derecognition*

Financial assets and financial liabilities are recognised when the Corporation 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 substantially all the 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 - *Revenue from Contracts with Customers*, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

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

In the periods presented the Council does not have any financial assets categorised as FVPTL and FVOCI.

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.

Subsequent measurement of financial assets

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

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 Council's cash and cash equivalents and receivables (excluding prepayments) fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses - the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new 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.

Recognition of credit losses is no longer dependent on the Council's first identifying a credit loss event. Instead the Council considers a broader 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:

- 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

Notes to the Financial Statements for the year ended 31 December 2021 (Continued)

3. Accounting Policies (Continued)

Financial Instruments (Continued)

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Council's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Council's financial liabilities include trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Council designated a financial liability at FVTPL.

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 statement of income and expenditure are included within finance costs or finance income.

	2021	2020
	Euro	Euro
4. Funds received from central government		
In terms of section 55 of the Local Councils Act (Cap 363)	915,275	898,714
Other Government Income	<u>106,655</u>	<u>92,370</u>
	<u><u>1,021,930</u></u>	<u><u>991,084</u></u>
5. Local Enforcement Income		
Regional Committees/Admin Fees/LESA	<u>18,988</u>	<u>12,857</u>
6. Other Income		
Income from other activities	-	208
Other general income	<u>59,625</u>	<u>50,141</u>
	<u><u>59,625</u></u>	<u><u>50,349</u></u>

Notes to the Financial Statements for the year ended 31 December 2021 (Continued)

	2021	2020
	Euro	Euro
7. Personnel Emoluments		
Mayor's honoraria	15,271	15,027
Executive Secretary salary and allowances	36,788	35,820
Employees' salaries	126,137	102,308
Councillors and Mayor's Allowances	22,600	22,680
Social Security Contributions	13,738	11,540
	<u>214,534</u>	<u>187,375</u>

	2021	2020
	Euro	Euro
8. Operations and Maintenance		
Repairs and upkeep:		
Road and street pavements (Patching works)	26,453	13,474
Street signs	4,729	6,520
Road markings	406	7,754
	<u>31,588</u>	<u>27,748</u>

Contractual Services:		
Refuse collection (including bins on wheels)	310,203	282,640
Bulky refuse collection (including open skips)	46,695	54,803
Road and Street Cleaning (mechanical and manual)	118,303	86,220
Cleaning and Maintenance of Public Convenience	24,605	24,605
Cleaning and Maintenance of Parks and Gardens	86,769	90,579
Street Lighting	37,632	7,908
Local Enforcement Expenses	865	411
	<u>625,072</u>	<u>547,166</u>
	<u>656,660</u>	<u>574,914</u>

Notes to the Financial Statements for the year ended 31 December 2021 (Continued)

	2021	2020
	Euro	Euro
9. Administration and other expenditure		
Utilities	7,801	7,641
Rent	9,038	8,638
Other repairs and upkeep	41,342	27,653
Office Services	5,371	8,297
Travel	-	1,300
Transport	18,666	17,361
Information Services	3,232	12,343
Other contractual services	9,302	6,624
Professional services	33,681	32,338
Community and hospitality	12,923	19,065
Social events	42,387	28,978
Cultural events	19,504	15,298
Depreciation	27,001	32,941
	<u>230,248</u>	<u>218,477</u>
	2021	2020
10. Finance Costs	Euro	Euro
Interest on Bank Loan	-	192
Lease interest	-	22
	<u>-</u>	<u>214</u>

Notes to the Financial Statements for the year ended 31 December 2021 (Continued)

11. Property, Plant and Equipment

	Right to Use Property	Property	Construction	Office furniture & fittings	New Street Signs	Office Equipment	Computer Equipment	Urban Improvements	Trees & Plants	Asset Under Construction	Total
	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
Cost											
As at 1 January 2021	981	246,865	1,106,377	41,924	33,389	66,502	49,155	327,086	18,281	35,618	1,928,178
Additions	-	-	39,187	-	-	5,831	962	24,794	-	-	70,774
As at 31 December 2021	981	246,865	1,145,564	41,924	33,389	74,333	50,117	351,880	18,281	35,618	1,998,952
Grants and Other Reimbursements											
As at 1 January 2021	-	-	(371,819)	-	-	(1,357)	-	(115,843)	(18,281)	-	(507,300)
Additions	-	-	(3,585)	-	-	(2,331)	-	(11,510)	-	-	(17,426)
As at 31 December 2021	-	-	(375,404)	-	-	(3,688)	-	(127,353)	(18,281)	-	(524,726)
Depreciation											
As at 1 January 2021	(654)	(48,387)	(731,762)	(37,611)	(33,389)	(63,740)	(44,623)	(117,122)	-	-	(1,077,288)
Charges for the year	(327)	(2,468)	(3,937)	(3,128)	-	(1,652)	(2,364)	(13,125)	-	-	(27,001)
As at 31 December 2021	(981)	50,855	(735,699)	(40,739)	(33,389)	(65,392)	(46,987)	(130,247)	-	-	(1,104,289)
Net Book Value											
As at 31 December 2021	-	196,010	34,461	1,185	-	5,253	3,130	94,280	-	35,618	369,937

Notes to the Financial Statements for the year ended 31 December 2021 (Continued)

11. Property, Plant and Equipment (Continued)

	Right to Use Property	Property	Construction	Office furniture & fittings	New Street Signs	Office Equipment	Computer Equipment	Urban Improvements	Trees & Plants	Asset Under Construction	Total
	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
Cost											
As at 1 January 2020	981	246,865	1,102,607	41,924	33,389	67,101	45,949	307,756	18,281	14,222	1,879,075
Additions	-	-	3,770	-	-	1,401	3,206	19,330	-	21,396	49,103
As at 31 December 2020	981	246,865	1,106,377	41,924	33,389	68,502	49,155	327,086	18,281	35,618	1,928,178
Grants and Other Reimbursements											
As at 1 January 2020	-	-	(371,819)	-	-	(1,357)	-	(115,843)	(18,281)	-	(507,300)
Additions	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2020	-	-	(371,819)	-	-	(1,357)	-	(115,843)	(18,281)	-	(507,300)
Depreciation											
As at 1 January 2020	(327)	(45,919)	(719,345)	(34,508)	(33,389)	(62,942)	(42,592)	(105,325)	-	-	(1,044,347)
Charges for the year	(327)	(2,468)	(12,417)	(3,103)	-	(798)	(2,031)	(11,797)	-	-	(32,941)
As at 31 December 2020	(654)	(48,387)	(731,762)	(37,611)	(33,389)	(63,740)	(44,623)	(117,122)	-	-	(1,077,288)
Net Book Value											
As at 31 December 2020	327	198,478	2,796	4,313	-	3,405	4,532	94,121	-	35,618	343,590

Notes to the Financial Statements for the year ended 31 December 2021 (Continued)

12. Receivables	2021	2020
	Euro	Euro
Trade Receivables	39,123	160,210
Accrued Income	-	37,279
Other Receivables	<u>28,598</u>	<u>12,532</u>
Financial Asset	67,721	210,021
Prepayments	<u>7,533</u>	<u>952</u>
	<u><u>75,254</u></u>	<u><u>210,973</u></u>

Trade receivables are unsecured and interest free. Accrued income is stated net of provision amounting to €11,300 (2020: €11,300).

	2021	2020
	Euro	Euro
Within credit period	31,258	30,524
Exceeded credit period but not impaired	7,865	129,686
Provision for Doubtful Debts	-	-
	<u><u>39,123</u></u>	<u><u>160,210</u></u>

13. Cash and Equivalentents

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

	2021	2020
	Euro	Euro
Bank balances: Ordinary funds	851,606	746,076
Cash in Hand	<u>249</u>	<u>476</u>
	851,855	746,552
Overdrawn Bank Balance	<u>-</u>	<u>(30,578)</u>
	<u><u>851,855</u></u>	<u><u>715,974</u></u>

Notes to the Financial Statements for the year ended 31 December 2021 (Continued)

	2021	2020
	Euro	Euro
14. Borrowings		
Short Term Borrowings		
Bank Balance Overdrawn	-	30,578
	<u>-</u>	<u>30,578</u>
	2021	2020
	Euro	Euro
15. Payables		
Payables	97,290	73,218
Accruals	48,323	59,235
Other payables	839	839
	<u>146,452</u>	<u>133,292</u>
	2021	2020
	Euro	Euro
16. Lease Liability		
Payables	<u>-</u>	<u>65</u>

Lease Liability refers to the lease of the Flour Mill and Cart Ruts that have been leased out to the San Gwann Local Council. It is a 3 years renewable lease that began in 21st February 2000. The council intends to renew this lease continuously. It will be renewed next in 21st February 2021. The outstanding lease liability is fully released.

All works and repairs are a sole responsibility of the council. The rent of 100 Maltese Liri is payable yearly in advance for Flour Mill and Cart Ruts respectively.

The lease is not short term as it started in the year 2000 and is not of low value therefore the exemptions under IFRS 16 cannot be recognized in this case. Lease commitments discount is based on weighted average incremental borrowing rate of 4.15% per annum.

In case of termination, the property needs to be surrendered with its decorative structures and fixtures in place.

Notes to the Financial Statements for the year ended 31 December 2021 (Continued)

17. Deferred Income	2021 Euro	2020 Euro
Balance at the beginning of the year	212,724	212,724
Funds allocated to the Council	14,313	-
Released to Income	-	-
Capitalised	-	-
Balance at the end of the year	<u>227,037</u>	<u>212,724</u>
Short - Term Deferred Income	41,101	26,788
Long - Term Deferred Income	<u>185,936</u>	<u>185,936</u>
	<u>227,037</u>	<u>212,724</u>

18. Post Balance Sheet events

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

19. 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.

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 charges 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 over 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 and

Notes to the Financial Statements for the year ended 31 December 2021 (Continued)

19. Financial Risk Management (Continued)

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.

	Notes	2021 Euro	2020 Euro
Classes of Financial Assets – Carrying amounts			
Receivables (excluding prepayments)	12	67,721	210,021
Cash and Cash Equivalents	13	851,855	746,552
		<u>919,576</u>	<u>956,573</u>

iii) Fair Values

As at 31 December 2021 and 2020, the carrying amounts of financial assets and liabilities were not materially different from the fair value.

iv) Liquidity risk

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

At 31 December, the council's financial liabilities have contractual maturities summarised below:

31 December 2021

	Current	Non-Current	
	Within 1 Year Euro	1 to 5 years Euro	Later than 5 Years Euro
Creditors	97,290	-	-
Other Payables	839	-	-
Accruals	48,323	-	-
	<u>146,452</u>	-	-

Notes to the Financial Statements for the year ended 31 December 2021 (Continued)

19. Financial Risk Management (Continued)

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

31 December 2020

	Current	Non-Current	
	Within 1 Year	1 to 5 years	Later than 5 Years
	Euro	Euro	Euro
Creditors	73,218	-	-
Other Payables	839	-	-
Lease Liability	65	-	-
Accruals	59,235	-	-
	<u>133,357</u>	<u>-</u>	<u>-</u>

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:

	2021	2020
	Euro	Euro
Current Assets		
Receivables (excluding prepayments)	67,721	210,021
Cash and Cash Equivalents	<u>851,855</u>	<u>746,552</u>
	<u>919,576</u>	<u>956,573</u>
	2021	2020
	Euro	Euro
Current Liabilities		
Financial Liabilities measured at historic cost		
Payables	97,290	73,218
Lease Liability	-	65
Other Payables	839	839
Accruals	48,323	59,235
Short Term Borrowings	-	-
	<u>146,452</u>	<u>133,357</u>

As at year end the Council has as cash and cash equivalents the amount of EUR 851,855 (2020: EUR 746,552). The council also maintains a positive Working Capital of EUR 739,556 (2020: EUR 766,802) ensuring that adequate funds are available to cover present liabilities as well as short term obligations and commitments arising.

Notes to the Financial Statements for the year ended 31 December 2021 (Continued)

20. Capital commitments

The San Gwann Local Council has earmarked below projects for the upcoming year:

- Establishment of a public garden in Triq Il-Kampanella
- Creation of a pollinator garden in Tal-Propostru
- Installation of CCTV in a number of public gardens
- Replacement of lighting fixtures in a number of public gardens
- Cart Ruts project

The Council will apply for funds for these projects however if the funds are not approved then the Council will use its accumulated funds.

21. Related Party Transactions

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 San Gwann Local Council.

The San Gwann 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 – North Joint Committee for Local enforcement, North Regional Committee
- III. No Control – Water Services corporation, Automated Revenue Management Services, Waste Management Service

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

Transactions with Related Parties

	2021	2020
	Euro	Euro
Annual Financial Allocation	915,275	898,714
<i>LES</i>	18,988	12,857

Key Management Personnel Remuneration

Executive Secretary	36,788	35,820
Mayor Honoraria	15,271	15,027
Mayor and Councillor's Allowance	22,600	22,680