

Local Council Sliema
Annual Audit Report
for the year ended 31 December 2021

as approved
Council Meeting
19/6/2022

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

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 19 July 2022 and signed on its behalf by:



John Pillow
Mayor



Anthony Attard
Executive Secretary

Statement of Comprehensive Income
for the year ended 31 December 2021

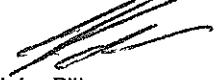
		2021	2020
	Notes	€	€
Revenue			
Funds received from Central Government	3	1,568,312	1,581,633
Income raised under Local Council Bye-Laws	4	22,990	29,764
Income raised under Local Enforcement System	5	3,074	3,712
General Income	6	200,844	214,699
		<u>1,795,220</u>	<u>1,829,808</u>
Expenditure			
Personal Emoluments	7	(229,788)	(219,327)
Operations and maintenance	8	(1,189,181)	(1,050,027)
Administration and other expenditure	9	(382,130)	(395,030)
		<u>(1,801,099)</u>	<u>(1,664,384)</u>
Operating (loss)/profit for the year		(5,879)	165,424
Finance income	10	-	10
(Loss)/Profit for the year	7	<u>(5,879)</u>	<u>165,434</u>


The notes on pages 6 to 28 form an integral part of these financial statements.

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		2021	2020
	Notes	€	€
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	906,277	1,089,531
Intangible assets	11	4,384	479
		<u>910,661</u>	<u>1,090,010</u>
Current Assets			
Receivables	13	461,204	707,975
Cash and cash equivalents	14	1,641,422	1,125,551
		<u>2,102,626</u>	<u>1,833,526</u>
Total Assets		<u><u>3,013,287</u></u>	<u><u>2,923,536</u></u>
EQUITY			
Reserves			
Retained earnings		1,669,000	1,674,879
Total equity		<u><u>1,669,000</u></u>	<u><u>1,674,879</u></u>
Non-Current Liabilities			
Deferred income	16	756,818	501,943
		<u>756,818</u>	<u>501,943</u>
Current Liabilities			
Payables	15	587,469	746,714
		<u>587,469</u>	<u>746,714</u>
Total Liabilities		<u><u>1,344,287</u></u>	<u><u>1,248,657</u></u>
Total equity and liabilities		<u><u>3,013,287</u></u>	<u><u>2,923,536</u></u>

These financial statements were approved by the Local Council on 19 July 2022 and signed on its behalf by:


John Pillow
Mayor


Anthony Attard
Executive Secretary

The notes on pages 6 to 28 form an integral part of these financial statements.

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

	Retained Funds	Total
	€	€
At 1 January 2020	1,509,445	1,509,445
Profit for the year	165,434	165,434
At 31 December 2020	<u>1,674,879</u>	<u>1,674,879</u>
At 1 January 2021	1,674,879	1,674,879
(Loss) for the year	(5,879)	(5,879)
At 31 December 2021	<u>1,669,000</u>	<u>1,669,000</u>

The notes on pages 6 to 28 form an integral part of these financial statements.

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Statement of Cash Flows
for the year ended 31 December 2021

	2021		2020	
	€	€	€	€
Net (loss)/profit for the year	(5,879)		165,434	
Reconciliation to cash generated from operations:				
Depreciation and amortisation	109,258		109,641	
Movement in provision for doubtful debtors	(10,195)		22,003	
Loss on assets under construction written-off	300		-	
Investment income	-		(10)	
Operating profit before working capital changes	93,484		297,068	
Decrease / (Increase) in receivables	126,591		(320,328)	
Decrease in other receivables	130,376		103,395	
(Decrease) / Increase in payables	(208,363)		123,104	
Increase in other payables	49,118		22,479	
Cash generated from operating activities		191,206		225,718
Cash flow from investing activities				
Interest received	-		10	
Purchase of property, plant & equipment	(264,434)		(56,798)	
Receipt of grants	345,527		34,000	
Cash generated from investing activities		81,093		(22,788)
Net Increase in cash in the year		272,299		202,930
Cash and equivalents at beginning of year		1,125,551		922,621
Cash and equivalents at end of year		1,397,850		1,125,551

The notes on pages 6 to 28 form an integral part of these financial statements.

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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 19 July 2022. 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 Interpretations and Amendments as adopted by the EU which have become mandatorily effective for the year ending 31 December 2021:

New or revised Amendments adopted:

- Amendments to IFRS 16 'Leases'. The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. This became mandatorily effective for annual reporting periods beginning on or after 1 June 2020

- Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases') Interest Rate Benchmark Reform (Phase 2). Issued on 27 August 2020 and mandatorily effective for annual periods beginning on or after 1 January 2021. The amendments introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

New and revised IFRSs adopted by the EU that are not mandatorily effective for the year ending 31 December 2021 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 2021:

- IFRS 17 Insurance Contracts - The revised standard for IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts, thus, designed to achieve a consistent, principle-based accounting. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2023.

- Amendments to IFRS 4 'Insurance Contracts' - The amendment issued on 12 September 2016 deals with applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'. It 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 IFRS 3 'Business Combinations' - Issued on 14 May 2020, the amendment updates an outdated reference to the Conceptual Framework in IFRS 3. However, it does not significantly change the requirements of the standard. The application is optional but will become mandatorily effective for annual reporting periods commencing on or after 1st January 2022.

- Amendments to IFRS 16 'Property, Plant and Equipment' - The amendments published on 14 May 2020 prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity is to recognise the proceeds from selling such items, and the cost of producing those items, in profit or loss. The application is optional but will become mandatorily effective for annual reporting periods commencing on or after 1st January 2022.

- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. These amendments were published on 14 May 2020 but will become mandatorily effective for annual reporting periods commencing on or after 1st January 2022.

- Annual Improvements to IFRS Standards: These improvements published on 14 May 2020 will become effective for annual reporting periods commencing on or after 1st January 2022.

- IFRS 1 'First-time Adoption of International Financial Reporting Standards' - The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

- IFRS 9 'Financial Instruments' - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

- IFRS 16 'Property, Plant and Equipment' - The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- IAS 41 'Agriculture' - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

- Amendments to IFRS 17 'Insurance Contracts' - These amendments were done to address concerns and implementation challenges that were identified after IFRS 17 Insurance Contracts was published in 2017. The key changes are:

- Deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023

- Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk
- Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognised in a business acquired in a business combination
- Clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level
- Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements
- Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives
- Amendments to require an entity that at initial recognition recognises losses on onerous insurance contracts issued to also recognise a gain on reinsurance contracts held
- Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts
- Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach

These amendments will become mandatorily effective for annual periods beginning on or after 1st January 2023.

- Amendments to IFRS 4 'Insurance Contracts' - Issued on 25th June 2020, the amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.
- Amendments to IFRS 16 'Property, Plant and Equipment' - The amendment relates to the COVID-19 related rent concessions beyond 30 June 2021. It extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. This has become mandatorily effective for annual reporting periods starting on or after 1st April 2021.

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 2021 and cannot be applied by the entities preparing their financial statements in accordance with IFRS as adopted by the EU:

- Amendments to IAS 1 Classification of Liabilities as Current or Non-current (Issued 23 January 2020)
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current - Deferral of Effective Date (Issued 15 July 2020)
- Amendments to IAS 1 and IFRS Practice Statement 2 regarding the disclosure of Accounting Policies (Issued on 12 February 2021)
- Amendments to IAS 8 Definition of Accounting Estimates (Issued 12 February 2021)
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Issued on 7 May 2021)
- Amendments to IFRS 17 Initial Application of IFRS 17 and IFRS 9 Comparative Information (issued 9 December 2021)

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 straight line 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.

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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 all debt instruments not held at fair value through profit or loss and 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. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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).

After the adoption of IFRS 9 as from 1 January 2018, the Council applied the simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

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

	2021	2020
	€	€
In terms of section 55 of the Local Councils Act	1,385,994	1,358,144
Supplementary Government Income	-	30,006
EU Funding	-	928
Other Government Income	182,318	192,555
	<u>1,568,312</u>	<u>1,581,633</u>

4. Income raised from Bye-Laws

	2021	2020
	€	€
Bye-Laws - Advertising on Street Furniture	<u>22,990</u>	<u>29,764</u>

5. Local Enforcement System

	2021	2020
	€	€
Administrative reimbursement on fines collected	<u>3,074</u>	<u>3,712</u>

6. General Income

	2021	2020
	€	€
Cultural Events	-	983
Sponsorships	-	1,250
Tender Documents/Info. Charges	-	163
Media Advertising	2,024	-
Donations	1,000	4,250
Refund of expenses	72,730	33,848
Income from Permits	125,090	174,205
	<u>200,844</u>	<u>214,699</u>

7. Profit for the year	2021	2020
	€	€
Profit/(Loss) for the year is stated after charging:		
Staff salaries	229,788	219,327
Depreciation of intangible assets	1,818	446
Depreciation of tangible assets	<u>107,440</u>	<u>109,195</u>

Note:

The accounting deficit was brought about by a one-time impairment of an asset under construction which failed to materialise and a corresponding amount due to a supplier which is no longer payable. The net effect of such adjustment resulted in a loss of €127,000.

Staff salaries

	2021	2020
	€	€
Mayor's Remuneration	19,418	19,651
Councillors' Allowances	32,174	32,200
Executive Secretary Salary and Allowances	32,978	32,970
Employees' Salaries	131,310	121,452
Social Security Contributions	13,908	13,054
	<u>229,788</u>	<u>219,327</u>

Average number of people employed

Employees	8	8
Mayor & Councillors	<u>13</u>	<u>13</u>

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8. Operations and Maintenance	2021	2020
	€	€
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	8,707	24,356
Signs	7,528	4,635
Road Markings	5,774	12,384
Office Furniture and Equipment	190	118
Plant & Equipment	563	210
Sundry Repairs	3,456	217
Other repairs and Upkeep	224,910	57,927
	<u>251,128</u>	<u>99,847</u>
<i>Contractual Services:</i>		
Waste Disposal	198,779	213,782
Refuse Collection	414,176	422,334
Bulky Refuse Collection	34,313	34,313
Cleaning Services	15,576	16,673
Road & Street Cleaning	160,744	157,764
Cleaning - Public Conveniences	24,785	24,329
Cleaning - Council Premises	3,527	3,829
Clean. & Maint. Parks & Gardens	55,938	55,938
Clean. & Maint. Beaches	6,490	-
Street Lighting	9,337	14,935
Studies & Consultations	6,133	5,859
Local Enforcement Expenses	8,255	424
	<u>938,053</u>	<u>950,180</u>
Total Operations and Maintenance Costs	<u><u>1,189,181</u></u>	<u><u>1,050,027</u></u>

9. Administration and other expenditure	2021	2020
	€	€
Utilities	25,018	83,763
Other repairs and upkeep	43,382	38,989
Rent	4,548	5,797
National and International Memberships	(150)	86
Office Services	10,455	5,162
Transport	10,697	8,449
Travel	2,044	-
Information Services	18,219	15,704
Lease of Equipment	1,191	3,850
Insurance Coverage	4,821	4,441
Bank Charges	1,906	281
Professional Services	80,655	65,510
Training	11,773	5,673
Other Hospitality Costs	489	1,044
Social Events	64,879	23,260
Cultural Events	-	1,028
Sundry Minor Expenses	3,140	349
Provision for Doubtful Debtors	(10,195)	22,003
Depreciation and amortisation	109,258	109,641
	<u>382,130</u>	<u>395,030</u>
10. Finance Income	2021	2020
	€	€
Bank interest receivable	-	10
	<u>-</u>	<u>10</u>

11. Intangible fixed assets

	Computer Software €
Cost	
At 1 January 2020	7,320
Disposals	(1,150)
At 1 January 2021	6,170
Assets capitalised	5,723
At 31 December 2021	11,893
Provision for diminution in value	
At 1 January 2020	6,396
On disposals	(1,150)
Charge for year	445
At 1 January 2021	5,691
Charge for year	1,818
At 31 December 2021	7,509
Net book values	
At 31 December 2021	4,384
At 31 December 2020	479

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

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 2021	181,448	491,394	98,345	1,424,110	87,260	56,733	17,026	2,226,753	4,583,069							
Additions	-	249,134	-	12,578	1,174	1,548	-	-	264,434							
Assets Capitalised	-	(349,152)	-	99,557	-	-	-	-	(249,595)							
At 31 December 2021	181,448	391,376	98,345	1,536,245	88,434	58,281	17,026	2,226,753	4,597,908							
Depreciation																
At 1 January 2021	37,258	-	98,345	1,097,616	65,091	42,909	17,026	1,232,277	2,590,522							
Charge for the year	1,761	-	-	45,330	5,374	2,054	-	52,921	107,440							
At 31 December 2021	39,019	-	98,345	1,142,946	70,465	44,963	17,026	1,285,198	2,697,962							
Grants																
At 1 January 2021	9,645	-	-	132,594	12,798	2,301	-	745,679	903,017							
Grants allocated for year	-	-	-	90,652	-	-	-	-	90,652							
At 31 December 2021	9,645	-	-	223,246	12,798	2,301	-	745,679	993,669							
Net book values																
At 31 December 2021	132,784	391,376	-	170,053	5,171	11,017	-	195,876	906,277							

13. Receivables

		2021	2020
		€	€
Receivables	Note	292,401	407,102
LES Debtors	Note	256	1,950
Other receivables		43,948	6,242
Accrued income		109,853	285,966
Financial assets		<u>446,458</u>	<u>701,260</u>
Prepayments		14,746	6,715
		<u>461,204</u>	<u>707,975</u>

Receivables

General receivables are analysed as follows:

	2021	2020
	€	€
Within credit period	14,843	30,126
Exceeded credit period but not impaired	277,558	376,976
Impaired and provided for	163,113	164,839
Provision for doubtful debts	(163,113)	(164,839)
	<u>292,401</u>	<u>407,102</u>

13. Receivables (cont.)

Included in the receivables are debtors with a carrying amount of € 277,558 (2020: € 376,976 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:

	2021	2020
	€	€
Not more than 3 months	217,539	139,864
More than 3 months but not more than 6 months	16,754	229,282
More than 6 months	43,265	7,830
	<u>277,558</u>	<u>376,976</u>

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

	2021	2020
	€	€
Balance at 1 January	164,839	140,912
(Decrease)/Increase in provision for general receivables	(1,726)	23,927
	<u>163,113</u>	<u>164,839</u>

Local Enforcement System (LES) Debtors

LES Debtors are stated after a specific provision for doubtful debts amounting to €648,411 (2020 - €656,879).

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:

	2021	2020
	€	€
Bank Balances	1,242,119	1,124,629
Cash in Hand	399,303	922
	<u>1,641,422</u>	<u>1,125,551</u>

15. Payables	2021	2020
	€	€
Payables	472,903	681,266
Other taxes and social security costs	326	336
Other creditors	16,967	3,489
Accruals	93,796	61,623
Financial liabilities	583,992	746,714
Other Deferred Income	3,477	-
	<u>587,469</u>	<u>746,714</u>
16. Deferred income	2021	2020
	€	€
Government grants		
At 1 January 2021	501,943	467,943
Increase in year	348,902	34,000
	<u>850,845</u>	<u>501,943</u>
Released and allocated during the year	(90,652)	-
Released against revenue expenditure	(3,375)	-
At 31 December 2021	<u>756,818</u>	<u>501,943</u>
Non-Current Deferred Income	756,818	501,943
Deferred Government Grants		
Deferred between two and five years	<u>501,943</u>	<u>467,943</u>

17. Capital commitments

	2021 €	2020 €
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	<u>1,200,000</u>	<u>1,007,000</u>
(i) Approved but not yet contracted for:		
Urban Improvements	150,000	80,000
Office Furniture & Fittings	10,000	10,000
Vincenzo Apap Monument	7,500	14,000
Office Equipment	10,000	10,000
Motor vehicle	40,000	-
Car Park Project	50,000	50,000
Restoration of Niches	26,500	-
Embellishment of Public Convenience - Ferro Bay	245,000	100,000
Tony Nicholl Monument	5,000	5,000
Construction of Public Convenience - The Strand	120,000	120,000
Construction of Pavements	-	270,000
Construction of Pavements - High Street	228,000	228,000
Road Works at Ghar il-Lembi	-	120,000
Development of Playing Fields	53,000	-
Development of Open Spaces	255,000	-
	<u>1,200,000</u>	<u>1,007,000</u>
(ii) Contracted for but not provided in the Financial Statements:		
	<u>-</u>	<u>-</u>

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. During the year under review, the court case was adjudicated partially in favour of the Council but it is now being reconsidered under the Court of Appeal.

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 which was later revised to €68,706. Despite the fact that the Council settled a portion of this amount, it is still contesting these amounts.

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.

During 2019, 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.

During 2021, the Council has also committed fourteen Bank Guarantees in favour of the Planning Authority and amounting to €2,300 each (total of €32,200) in connection with a Project to restore a number of niches 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.

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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:

	2021	2020
	€	€
Annual Financial Allocation	<u>1,385,994</u>	<u>1,358,144</u>

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 € 88,880 (2020: € 86,007)

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 receivable balances of the Council are mainly composed of balances with government-related entities. Given the low risk associated with such entities, the default risk is considered to be insignificant. Given the fact that this will not result in material misstatement, the Council did not calculate and account for this 'expected credit loss'.

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:

	2021	2020
	€	€
<i>Classes of financial assets - carrying amounts</i>		
Trade and other receivables	446,458	701,260
Cash and cash equivalents	1,641,422	1,125,551
	<u>2,087,880</u>	<u>1,826,811</u>

The Council does not hold any collateral or other credit enhancements to cover this credit risk.

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 € 1,641,422. 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 € 1,669,000 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

At 31 December 2021, the Council's financial liabilities have contractual maturities which are summarised below:

	Current	Non-Current	
	within 1 year €	1 to 5 5 years €	later than 5 years €
Payables	472,903	-	-
Other taxes and social security costs	326	-	-
Other creditors	16,967	-	-
Accruals	93,796	-	-
	<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 year €	1 to 5 5 years €	later than 5 years €
Payables	681,266	-	-
Other taxes and social security costs	336	-	-
Other creditors	3,489	-	-
Accruals	61,623	-	-
	<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. The Council is not exposed to any variable interest rates liabilities.

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.

	2021	2020
	€	€
Current assets		
Loans and receivables:		
Trade and other receivables	446,458	701,260
Cash and cash equivalents	1,641,422	1,125,551
	<u>2,087,880</u>	<u>1,826,811</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	472,903	681,266
Other taxes and social security costs	326	336
Other creditors	16,967	3,489
Accruals	93,796	61,623
	<u>583,992</u>	<u>746,714</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.

J.P.
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