



Ir-Rabat Local Council

Annual Report and Financial Statements
31 December 2023

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Statement of Local Council Members' and Executive Secretary's Responsibilities

The Local Government (Financial) Regulations 1993 require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's comprehensive income for the period and of the Council's retained funds at the end of the period. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Government (Financial) Regulations, 1993 and the Local Government (Financial) Procedures, 1996.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Government (Financial) Regulations 1993, and the Local Government (Financial) Procedures 1996. The Executive Secretary is also responsible for safeguarding the assets of the Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Local Council on the 7 March 2024 and signed on its behalf by:



Sandro Craus
Mayor



Anthony Bonello
Executive Secretary

Statement of Profit or Loss and Other Comprehensive Income

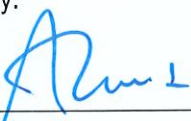
	Notes	2023 €	2022 €
Income			
Funds received from central government	3	1,308,833	1,420,010
Income raised under Local Enforcement System	5	4,579	5,294
General income	6	60,142	63,145
		<u>1,373,554</u>	<u>1,488,449</u>
Expenditure			
Personal emoluments	7	229,950	230,145
Operations and maintenance	8	985,767	761,062
Administrative and other expenditure	9	469,711	537,688
		<u>1,685,428</u>	<u>1,528,895</u>
Operating loss for the year		<u>(311,874)</u>	<u>(40,446)</u>
Finance income	4	67	1,319
Loss for the year		<u>(311,807)</u>	<u>(39,127)</u>
Total comprehensive loss for the year		<u>(311,807)</u>	<u>(39,127)</u>

The notes on pages 6 to 30 form an integral part of these financial statements

Statement of Financial Position

	Notes	2023 €	2022 €
ASSETS			
Non-current assets			
Intangible asset	10	132	402
Property, plant and equipment	11	1,124,878	858,091
		<u>1,125,010</u>	<u>858,493</u>
Current assets			
Inventories	12	7,103	7,900
Receivables	13	598,281	212,539
Cash and cash equivalents	14	849,766	1,352,688
		<u>1,455,150</u>	<u>1,573,127</u>
Total Assets		<u>2,580,160</u>	<u>2,431,620</u>
Reserves			
Retained earnings		974,888	1,286,695
Non-Current Liabilities			
Long term borrowing	16	228,950	-
		<u>228,950</u>	<u>-</u>
Current Liabilities			
Payables	15	1,376,322	1,144,925
		<u>1,376,322</u>	<u>1,144,925</u>
Total Liabilities		<u>1,605,272</u>	<u>1,144,925</u>
Total Reserves and Liabilities		<u>2,580,160</u>	<u>2,431,620</u>

These financial statements were approved by the Local Council on the _____ 2024 and are signed on its behalf by:


 Sandro Craus
 Mayor

 Anthony Bonello
 Executive Secretary

The notes on pages 6 to 30 form an integral part of these financial statements

Statement of Changes in Equity

	Retained earnings €
Balance at 1 January 2022	1,325,822
Total comprehensive loss for the year	(39,127)
Balance at 31 December 2022	1,286,695
Balance at 1 January 2023	1,286,695
Total comprehensive loss for the year	(311,807)
Balance at 31 December 2023	974,888

The notes on pages 6 to 30 form an integral part of these financial statements

Statement of Cash Flows

	Notes	2023 €	2022 €
Cash flows from operating activities			
Loss for the year		(311,807)	(39,127)
Adjustments for:			
Depreciation of property, plant and equipment	11	105,819	135,526
Amortisation of intangible assets	10	271	271
Recovery of bad debts	9	(2,381)	(361)
Finance income receivable	4	(67)	(1,319)
(Deficit)/Surplus for the period before working capital movements		(208,165)	94,990
Decrease/(Increase) in inventory		797	(7,900)
(Decrease)/Increase in receivables		(383,361)	29,446
Increase in payables		231,397	30,850
Net cash (used in)/generated from operating activities		(359,332)	147,386
Cash flows from investing activities			
Investment income receivable	4	67	1,319
Payment to acquire property, plant and equipment	11	(767,801)	(334,905)
Net cash used in investing activities		(767,734)	(333,586)
Cash flows from financing activities			
Grants received		395,194	190,081
Long term borrowing		228,950	-
Cash generated from financing activities		624,144	190,081
Movement in cash and cash equivalents		(502,922)	3,881
Cash and cash equivalents at the beginning of the year		1,352,688	1,348,807
Cash and cash equivalents at the end of the year	14	849,766	1,352,688

Notes to the Financial Statements
For the year ended 31 December 2023**1. Statutory Information**

Ir-Rabat Local Council (the "Local Council") is the local authority of Ir-Rabat setup in accordance with the Local Councils Act. The Office of the Local Council is situated at 8, Triq I-Isptar, Ir-Rabat, Malta.

These financial statements were approved for issue by the Local Council members on _____ 2024. The Local Council's presentation as well as functioned currency is denominated in Eur (€).

2. Accounting policies

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

a. Basis of preparation

The financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap 363). The financial statements are prepared under the historical cost convention, as modified to include fair values stated in the accounting policies below. The financial statements are prepared under the historical cost convention, in accordance to the requirements of International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

b. Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

However, in the opinion of the Local Council members, there are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

2. Accounting policies – continued**c. Standards, amendments and interpretations to existing standards**

The new and revised standards that became effective for annual periods beginning on or after 1 January 2023 made several minor amendments to a number of IFRSs. None of the changes to IFRSs and interpretations has had, or is expected to have, a material impact on the council's financial statements.

New and amended standards adopted by the Council

Information on new standards, amendments and interpretations that are relevant to the Council's financial statements is provided below. Certain other new standards and interpretations not listed below have been issued but are not relevant and therefore are not expected to have any impact on the Council's financial statements.

The Council started to adopt the new accounting pronouncements which have become effective this year, and are as follows:

Onerous Contract – Cost of Fulfilling a Contract (Amendments to IAS 37)

This pronouncement amended IFRS 37 'Provisions, Contingent Liabilities and Contingent Assets' and clarifies that when assessing if a contract is onerous, the cost of fulfilling it includes all costs related directly to the contract. Such costs include both:
the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract, like direct labor and materials); and
an allocation of other costs that relate directly to fulfilling the contract (e.g. contract management and supervision, or depreciation of equipment used in fulfilling it).

Proceeds before Intended Use (Amendments to IAS 16)

The amendments introduce new guidance to IAS16 'Property, Plant and Equipment', which prohibit entities from deducting from the costs of PPE amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognise such sales proceeds and related costs in profit and loss.

These amendments do not have a significant impact on these financial statements and therefore the disclosures have not been made.

New Standards, amendments and interpretations to existing standards that are not yet effective.

At the date of authorisation of these financial statements, several new, but not effective Standards and amendments to existing standards, and Interpretations have been published by the IASB. None of these standards or amendments to existing standards have been adopted early by the Local Council. These are the following:

2. Accounting policies – continued**c. Standards, amendments and interpretations to existing standards - continued**

On 23 January 2020, the IASB issued 'Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place of the reporting date. The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

On 18 May 2017, the IASB issued IFRS 17 'Insurance Contracts' that require insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 as is effective for annual reporting periods beginning on or after from 1 January 2023.

On 12 February 2021, the IASB issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2), that require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

On 12 February 2021, the IASB issued amendments to IAS 8, replacing the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

On 31 October 2023, the IASB issued amendments to IAS 1, that clarifies how conditions with which an entity must comply within twelve months after the reporting period effect the classification of a liability. The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

The Councillors and Executive Secretary anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Local Council financial statements.

2. Accounting policies - continued**d. Intangible assets**

Intangible assets comprise computer software. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of 25%-42.87% using the straight-line method. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Where an indication of impairment exists, in that the carrying amount of an intangible asset is greater than its estimated recoverable amount, a charge is made to write down the value of the asset to its estimated recoverable amount (Accounting policy (k)).

e. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss to date. Depreciation is calculated on a monthly basis using the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives as follows:

• Land	0%
• Trees	0%
• Buildings	1%-1.25%
• Office furniture and fittings	7.5%-26.67%
• Construction works	10%-92.31%
• Urban Improvements (Street Furniture)	10%-85.72%
• Special Projects	10%-92.31%
• Office Equipment	20%-79.99%
• Motor Vehicles	20%
• Plant and Machinery	20%-38.72%
• Plants	100%
• Computer Equipment	25%-42.86%
• Litter Bins	Replacement Basis
• Traffic and Road Signs	Replacement Basis
• Street Mirrors	Replacement Basis
• Street Lights	100%
• Playground Furniture	100%

Gains and losses on disposal of property, plant and equipment are determined by 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.

2. Accounting policies - continued**e. Property, plant and equipment – continued**

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 Local Council 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.

f. Impairment of assets*Impairment of property, plant and equipment*

The carrying amounts of the Local Council's property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

g. Financial instruments**Recognition and derecognition**

Financial assets and financial liabilities are recognised when the Local Council becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

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

The Local Council does not have any financial assets categorised as FVTPL and FVOCI in the periods presented.

2. Accounting policies - continued**g. Financial instruments - continued**

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within 'finance costs', 'finance income' or 'other financial items'.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Local Council's cash and cash equivalents, and most receivables fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Local Council considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- 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.

2. Accounting policies - continued**g. Financial instruments – continued**

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Classification and measurement of financial liabilities

The Local Council's financial liabilities include payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Local Council designates a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'finance costs' or 'finance income'.

h. Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

i. Surpluses and deficits

Only surpluses and deficits that were realized at the date of the Statement of Financial Position are recognized in these Financial Statements. All foreseeable liabilities and potential losses arising up to the said date are accounted for even if they become apparent between the said date and the date on which the Financial Statements are approved.

j. Provisions

Provisions are recognised when the Local Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

2. Accounting policies - continued**k. Leased assets**

For any new contracts entered into on or after 1 January 2019, the Local Council considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Local Council assesses whether the contract meets three key evaluations which are

- a) whether the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Local Council.
- b) The Local Council has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- c) The Local Council has the right to direct the use of the identified asset throughout the period of use. The Local Council assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Local Council recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Local Council, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Local Council depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Local Council also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Local Council measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

l. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Local Council has an unconditional right to defer settlement of the liability for at least 12 months from the end of the reporting period.

2. Accounting policies - continued**m. 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 are accounted for on the Capital Approach according to IAS 20 as the Council adopted Directive 1/2017 issued by the Department of Local Council. With the Capital Approach, any grants received are netted off against the cost of the asset to which they relate. Depreciation will be accounted on the resulting cost less grant.

n. Amounts Receivable

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amounts of the asset in the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

o. 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. The parties that exercise no control were Water Services Corporation and Malta Environment and Planning Authority whereas there was joint control with the Birkirkara Joint Committee.

p. Payables

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

Amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the council.

2. Accounting policies - continued**q. Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Ir-Rabat Local Council and the revenue can be reliably measured, regardless of when the payment is received.

Revenue is recognised upon transfer of funds from the Central Government when there are no significant uncertainties concerning the derivation of consideration or associated costs.

Interest income is recognised in the income statement as it accrued under finance income.

r. Functional and presentation currency

Items included in the Local Council's financial statements are measured using the currency of the primary economic environment in which the entity operates. The Local Council's financial statements are presented in Euro, which is the Local Council's functional currency.

s. Local Enforcement System

The Rabat Local Council forms part of the Regjun Tramuntana. On 1st September 2011, all LES funds were diverted to five regions. With effect from 1st September 2011, the only income attributable to the Council is commission income based on the value of contraventions paid at Rabat Local Council. In line with Memo issued from the Department for Local Government dated 30th September 2015, the LES operations started gradually being phased out from the Regional Committee towards the Local Enforcement System Agency (LESA) with effect from 1st October 2015, until December 2015.

Prior to 1st September 2011, the Rabat Local Council formed part of the North Joint Committee. 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, which is accounted for on a cash basis, and the administrative charges to Regional Committees.

t. Capital Management

The Local Council's capital consists of its net assets, including working capital, represented by its retained funds. The Local Council's management objectives are to ensure:

- that the Local Council's ability to continue as a going concern is still valid and
- that the Local Council maintains a positive working capital ratio.

To achieve the above, the Local Council carries out a quarterly review of the working capital ratio ('Financial Situation Indicator'). The Local Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

3. Funds Received from Central Government

	2023 €	2022 €
In terms of Section 55 of the Local Councils Act (Cap 363)	1,245,056	1,235,356
Other government income	63,777	184,654
	<u>1,308,833</u>	<u>1,420,010</u>

4. Finance income

	2023 €	2022 €
Bank interest receivable	<u>67</u>	<u>1,319</u>

5. Income raised under Local Enforcement System

	2023 €	2022 €
Administrative charges to Regional Committees	<u>4,579</u>	<u>5,294</u>
	<u>4,579</u>	<u>5,294</u>

6. General Income

	2023 €	2022 €
Income from permits	44,991	46,099
Contributions and donations	15,151	17,046
	<u>60,142</u>	<u>63,145</u>

7. Personal Emoluments

	2023 €	2022 €
Mayor's allowance	16,003	15,516
Executive Secretary and allowances	44,839	52,666
Employees' salaries	132,075	125,997
Social Security contributions	14,433	13,766
Councillors' remuneration	22,600	22,200
	229,950	230,145

Average number of people employed

Employees	7	7
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8. Operations and Maintenance

	2023 €	2022 €
Repairs and Upkeep:		
Road and street pavements (Patching works)	102,268	91,220
Repair plant and equipment	175,207	37,305
Sundry repairs	25,483	5,727
	302,958	134,252

Contractual Services:

Refuse collection (including bins on wheels)	112,470	214,451
Waste disposal	156,919	68,273
Bulky refuse collection (including open skips)	15,410	9,673
Road and street cleaning (mechanical and manual)	235,195	183,301
Cleaning and maintenance of non-urban roads	13,626	29,873
Cleaning and maintenance of public conveniences	22,513	38,483
Cleaning and maintenance of parks and gardens	126,676	82,756
	682,809	626,810
	985,767	761,062

9. Administrative and other expenditure

	2023	2022
	€	€
Utilities	15,236	12,852
Other repairs and upkeeps	14,698	3,275
Rent	79,348	70,524
Office services	13,317	11,492
National and international memberships	900	-
Transport	10,195	16,677
Travel	2,675	298
Staff training	-	3,994
Information services	13,586	6,031
Other contractual services	63,541	51,540
Professional services	68,306	56,993
Community and hospitality	57,599	161,821
Social events	16,070	4,357
Uniforms	-	472
LES related expenses	8,848	336
Bank interest and charges	1,683	1,590
Depreciation of property, plant and equipment	105,819	135,526
Amortisation of intangible assets	271	271
Recovery of bad debts	(2,381)	(361)
	<u>469,711</u>	<u>537,688</u>

10. Intangible asset

	Computer Software €
At 1 January 2022	
Cost	3,512
Accumulated amortisation	(2,839)
Net book amount	<u>673</u>
Movements for the year ended 31 December 2022	
Opening net book amount	673
Amortisation charge	(271)
Closing net book amount	<u>402</u>
At 31 December 2022	
Cost	3,512
Accumulated amortisation	(3,110)
Net book amount	<u>402</u>
Movements for the year ended 31 December 2023	
Opening net book amount	402
Amortisation charge	(271)
Closing net book amount	<u>132</u>
At 31 December 2023	
Cost	3,512
Accumulated amortisation	(3,380)
Net book amount	<u>132</u>

Amortisation of €271 (2022: €271) is included in administrative expenses.

11. Property, plant and equipment

	Property €	Office furniture and fittings €	Office Equipment €	Plant and Machinery €	Urban improvements €	New street signs/ lights €	Computer Equipment €	Special Programmes €	Motor Vehicles €	Asset not yet capitalized €	Total €
Cost											
As at 1 January 2023	282,651	48,402	57,992	12,881	5,109,782	65,985	54,620	1,439,851	81,804	258,362	7,412,330
Additions	-	385	-	1,427	268,284	-	-	5,900	53,073	438,732	767,801
Disposals	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2023	282,651	48,787	57,992	14,308	5,265,062	65,985	54,620	1,445,751	134,877	697,093	8,180,131
Grants and other disbursements											
As at 1 January 2023	-	-	-	-	1,907,899	-	-	255,433	25,000	253,048	2,441,380
Additions	-	-	-	-	20,368	-	-	-	15,036	359,790	395,194
As at 31 December 2023	-	-	-	-	1,928,267	-	-	255,433	40,036	612,838	2,836,574
Accumulated Depreciation											
As at 1 January 2023	54,646	42,614	49,821	9,155	2,809,848	65,985	48,403	1,002,910	29,478	-	4,112,860
Charge for the year	3,176	806	3,495	1,190	59,669	-	4,261	16,642	16,580	-	105,819
Released on disposal	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2023	57,822	43,420	53,316	10,345	2,869,517	65,985	52,664	1,019,552	46,058	-	4,218,679
Net Book Value											
As at 31 December 2023	224,829	5,367	4,676	3,963	580,282	-	1,956	170,766	48,783	84,256	1,124,878

11. Property, plant and equipment - continued

	Property €	Office furniture and fittings €	Office Equipment €	Plant and Machinery €	Urban improvements €	New street signs/ lights €	Computer Equipment €	Special Programmes €	Motor Vehicles €	Asset not yet capitalized €	Total €
Cost											
As at 1 January 2022	281,326	48,402	57,852	10,922	5,065,671	65,985	54,410	1,347,493	81,804	63,560	7,077,425
Additions	1,325	-	140	1,959	44,111	-	210	92,358	-	195,395	335,498
Disposals	-	-	-	-	-	-	-	-	-	(593)	(593)
As at 31 December 2022	282,651	48,402	57,992	12,881	5,109,782	65,985	54,620	1,439,851	81,804	258,362	7,412,330
Grants and other disbursements											
As at 1 January 2022	-	-	-	-	1,907,899	-	-	255,433	25,000	63,967	2,251,299
Additions	-	-	-	-	-	-	-	-	-	190,081	190,081
As at 31 December 2022	-	-	-	-	1,907,899	-	-	255,433	25,000	253,048	2,441,380
Accumulated Depreciation											
As at 1 January 2022	51,470	41,779	46,209	8,057	2,725,784	65,985	43,293	978,310	16,446	-	3,977,333
Charge for the year	3,176	835	3,612	1,098	84,064	-	5,110	24,599	13,032	-	135,526
Released on disposal	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2022	54,646	42,614	49,821	9,155	2,809,848	65,985	48,403	1,002,909	29,478	-	4,112,859
Net Book Value											
As at 31 December 2022	228,005	5,788	8,171	3,726	392,035	-	6,217	181,509	27,326	5,314	858,091

12. Inventories

	2023 €	2022 €
Books and other publications	7,103	7,900
	<u>7,103</u>	<u>7,900</u>

13. Receivables

	2023 €	2022 €
Receivables	14,897	73,308
LES receivables	177,647	187,734
Provision for bad LES receivables	(177,647)	(187,734)
Other receivables – Regjun Punent	93,862	-
Other receivables – Bonnici Brothers garnishee order	290,201	-
Other receivables – grants	60,897	106,187
Accrued income	121,510	17,622
Financial assets at amortised cost	<u>581,367</u>	<u>197,117</u>
Prepayments	12,914	11,422
Other receivables	4,000	4,000
Total receivables	<u>598,281</u>	<u>212,539</u>

The total financial assets for the year amounted to €581,367 (2022: €197,117).

The average credit period on sales of services is 60 days. Receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the company has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

	2023 €	2022 €
Age of receivables that are past due but not impaired		
60-90 days	8,147	19,360
91-120 days	654	22,787
More than 120 days	6,096	31,161
Total	<u>14,897</u>	<u>73,308</u>

13. Receivables - continued

	2023	2022
	€	€
Movement in the allowance for doubtful debts		
Balance at beginning of the year	187,734	219,889
Amounts collected during the year	(2,382)	(361)
Bad debt write off	(7,705)	(31,794)
Balance at end of the year	177,647	187,734

In determining the recoverability of a receivable, the Local Council considers any change in the credit quality of the receivable from the date credit was initially granted up to the end of the reporting period. The impairment loss on receivables is included in administrative expenses in the statement of comprehensive income.

During the year under review, movement of €7,705 was reflected as a bad debt write off with the corresponding decrease in provision for bad debts of the same amount.

14. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and cash in banks. Cash and cash equivalents included in the Statement of Financial Position and Statement of Cash Flows comprise of the following amounts:

	2023	2022
	€	€
Term deposit 1 year	-	503,802
Bank balances:		
Measure 1	26,277	26,210
Ordinary funds	822,586	822,066
Cash on hand	903	610
	849,766	1,352,688

15. Payables

	2023	2022
	€	€
Payables	780,463	601,489
Measure 4.3 Bank Account temporarily overdrawn	128	128
Advance payments	72,300	176,577
DLG loan repayable within 1 year	57,238	-
Other payables	10,185	6,707
Accruals	138,341	312,571
Financial liabilities measured at amortised cost	1,058,655	1,097,472
Deferred Income	317,667	39,074
Contractors' deposits	-	8,379
Total payables	1,376,322	1,144,925

The total financial liabilities for the year amounted to €1,058,655 (2022: €1,097,472)

16. Long term borrowing

The Department for Local Government has granted the Local Council an interest free loan of €286,188 repayable in instalments of €57,237.58 over a period of 5 years in order to settle a payable to Bonnici Brothers Ltd. who instigated a garnishee order against the Local Council in December 2023 re contract for the 'Upgrading (including resurfacing) of farm access roads in Rabat Malta under Measure 4.3 of the European Agricultural Fund for Rural Development. The amount repayable in 2024 is included in current liabilities whilst the long term borrowing of €228,950 represents the amounts payable from 2025 to 2028.

17. Contingent liabilities

At 31 December 2023, the Local Council had a dispute with its former contracts manager, Synthesis Management Services Limited. If the case is lost the Council stands to pay €10,793.39 + interests + court expenses.

17. Related party transactions

During the year, the Local Council had affected transactions with related parties resulting mainly in connection with income and administrative transactions, are disclosed in notes 8 and 10 to these financial statements. The following were the related parties:

Name of Entity	Nature of relationship
Department of Local Councils	Significant Control
Gozo Regional Committee	No Control
Central Regional Committee	No Control
North Regional Committee	Joint Control
South Regional Committee	No Control
South Eastern Regional Committee	No Control
Local Enforcement Systems Agency	No Control
ARMS Ltd	No Control
Commissioner of Data Protection	No Control
Department of Information	No Control
Ministry of Finance	No Control
Police General Head Quarters	No Control
Malta Environment and Planning Authority	No Control
Water Services Corporation	No Control
Enemalta Corporation	No Control
Cleansing Directorate	No Control
Department of Lands	No Control
Wasteserv Malta Limited	No Control
Bank of Valletta plc	No Control
Department of Lands	No Control
Local Councils' Association	No Control
Central Bank of Malta	No Control
Department of Inland Revenue	No Control
Ministry for Justice, Culture and Local Government	No Control

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

	2023	2022
	€	€
(a) Funds received from Local Government	1,245,056	1,235,356

Key management compensation

The Mayor, Councillors and Executive Secretary of the Council make up the Key Management Personnel. Transactions with key management personnel are disclosed in note 8.

Ultimate controlling party

The ultimate controlling party of the local council is Central Government since the Local Council's main revenue is from the Government allocation received every quarter. Apart from the normal funds received from Government, the Local Council also receives funds relating to specific projects as well as other funds for the improvement of the locality.

18. Financial risk management

The Local Council's activities expose it to a variety of financial risks such as market risk, credit risk, liquidity risk and interest rate risk. The Local Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Local Council's financial performance.

Credit risk

Financial assets which potentially subject the Local Council to concentrations of credit risk consist principally of cash at bank and debtors. The Local Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Local Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Local Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Local Council has no significant concentration of credit risk.

The Local Council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period and is summarised as follows:

	2023 €	2022 €
Classes of financial assets – carrying amounts		
Receivables	520,470	90,930
Other receivables	60,897	106,187
Cash and cash equivalents	849,766	1,352,688
	1,431,133	1,549,805

Liquidity risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Local Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short-term commitments. The Local Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact, at year end, the Local Council has as cash in bank and in hand the amount of €849,766. This should ensure an ongoing working capital of the Local Council for the next 12 months. The Local Council has a working capital of €78,828 (2022: €428,202).

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

18. Financial risk management – continued**At 31 December 2023**

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	780,463	-	-
Measure 4.3 Bank Account temporarily overdrawn	128	-	-
DLG loan	57,238	228,950	-
Advance payments	72,300	-	-
Other creditors	10,185	-	-
Accruals	138,341	-	-

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

At 31 December 2022

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	601,489	-	-
Measure 4.3 Bank Account temporarily overdrawn	128	-	-
Advance payments	176,577	-	-
Other creditors	6,707	-	-
Accruals	312,571	-	-

Foreign currency risk

Foreign currency transactions arise when the Local Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Local Council does not trade in any foreign currencies.

Interest rate risk

Interest rate risk mainly arises through interest bearing liabilities and assets. The objectives of interest rate risk management are to optimise the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense.

19. Summary of financial assets and liabilities

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

	2023 €	2022 €
Current assets		
Financial assets at amortised cost:		
Receivables	581,367	197,117
Cash and cash equivalents	849,766	1,352,688
	1,431,133	1,549,805
Current liabilities		
Financial liabilities measured at amortised costs:		
Payables	780,463	601,489
Other payables	139,851	183,412
Accruals	138,341	312,571
	1,068,655	1,097,472

Capital risk management

The Council's objectives when managing capital are to safeguard the Council's ability to continue as a going concern so that it can continue to provide a service to the residents of the Local Council by maintaining an optimal capital structure to reduce cost of capital.

The Council's equity, as disclosed in the statement of financial position, constitutes its capital. The Council's capital structure is monitored by the Executive Secretary and the Council with appropriate reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Council's activities, the capital level as at the end of the reporting period is deemed adequate by the Council.

20. Operating Lease

Operating leases relate to leases of garage from private individuals and a photocopier lease. In 2023, the Local Council leased new office premises being used whilst the Rabat Local Council premises are being refurbished. This lease is on a short-term basis, and renewable every 6 months.

	2023 €	2022 €
Payments recognized as an expense		
Minimum lease payments	<u>45,600</u>	<u>38,400</u>
Non-cancellable operating lease commitments		
Not later than one year	850	850
Later than one year and not later than five years	212	212
	<u>1,062</u>	<u>1,062</u>

21. 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.

22. Capital commitments**Capital expenditure**

Commitments for capital expenditure not provided for in these financial statements are as follows:

	2023 €	2022 €
Authorised but not contracted	<u>410,000</u>	<u>424,000</u>

23. Events after the statement of financial position date

There have been no events whether favourable or unfavourable which occurred between the end of the reporting period and the date the financial statements have been authorised for issue.