PROCEEDINGS OF THE GIBRALTAR PARLIAMENT

AFTERNOON SESSION: 4 p.m. – 8.10 p.m.

Gibraltar, Tuesday, 2nd July 2024

Contents

The Gibraltar Parliament

The Parliament met at 4 p.m.

[MADAM SPEAKER: Hon. Judge K Ramagge GMH *in the Chair*]

[CLERK TO THE PARLIAMENT: J B Reyes Esq *in attendance*]

Appropriation Bill 2024 — Second Reading — Debate continued

Madam Speaker: The Hon. Sir Joe Bossano.

Minister for Inward Investment and the Savings Bank (Hon. Sir J J Bossano): Madam Speaker, I had my 85th birthday last month. I have always believed that you are never too old to learn, and I have learned something new recently from the behaviour of the Members opposite, to which there is no comparable experience in the 52 years that I have been a Member of the Legislature or, indeed, during my previous experience of the conduct of local politicians even before I first stood for election in 1972. Political parties in Gibraltar have traditionally fought elections on the basis of different political programmes by defending that one programme would be more beneficial to our country than that of the alternative from those contesting the election. This is what happens in a mature democracy. I have never previously known a political campaign against one individual candidate conducted by another party to the extent of producing a video urging voters not to vote for that one person. The GSD produced a video entitled *Don't Vote for Joe* and suggesting that my contribution over 52 years was negated by a quote of 40 years ago which showed me, as Chief Minister, answering a question from GBC, without the question or the context of what it was about.

I have learnt something about the sort of people who are now representing the GSD in this House. By way of example, I will remind Members that in the 2015 Budget they invented the fiction of the existence of two books of recurrent expenditure, which I understand was Mr Clinton's contribution, and led the policy of voting against all the expenditure of all the Departments on the false premise that part of the expenditure had been diverted to government companies in order to show surpluses when they were presumably expecting deficits. They then concluded that the payment from the annual surplus to the government companies was for this purpose. This entire fiction they repeated year after year. The truth was far simpler. Until 2011 the GSD covered the deficits in government companies by advances from the cash pool, and we introduced the first payment, in the Budget of 2012, to clear these inherited deficits. The deficits from all the years after 2012 were predominantly from those government companies which we inherited, which by definition could only operate with a deficit. As an example, we have the Bus Company, where the annual operating cost exceeds the revenue since the bulk of the passengers do not pay fares. This year, since the surplus is still not large enough to provide for a contribution to reduce company deficits, the accounts are being presented in the same way as was done during the years that the GSD was in government.

A more recent version of the reason for voting against all recurrent expenditure was that given by the Leader of the Opposition when he claimed that the failure to achieve the level of expenditure voted by Government and Parliament, but not by them, was exceeded by two or three Departments, which they claimed then meant that we had lied to the electorate because they interpreted, for the first time ever, that the Estimates of Expenditure were binding promises of expected outcomes a year ahead, as if the approved Estimates had now become an exercise of having the ability to know the future.

Madam Speaker, in the 52 years that I have been here, the Treasury has done the same exercise of arriving at a reasonable estimate of expenditure independent of whoever was in government. In arriving at such Estimates and in the context of the golden rule of not borrowing for recurrent expenditure, the Estimates also reflect the anticipated level of income, but that, of course, applies at the level of total income and total expenditure. Within these totals some Departments have a higher priority than others, depending on how essential the public service provided is.

Quite apart from all this, the figures that the Leader of the Opposition quoted to support his argument were all wrong because he did not understand the information in the Estimates, which Mr Clinton tried to cover up when I pointed this out a year later. Therefore, to suggest that the Estimates of Expenditure in that year or, indeed, in any other year previous or subsequent since 1972 have been a set of binding promises made by individual Ministers in respect of their individual departmental responsibilities is the most ridiculous definition of what the Budget entails that has ever been made in this Parliament, and I suspect probably in any other one. What is more, that it should be said by someone who himself has served as a Government Minister implies that he also believes that of himself when he was in government. This is the level of debate we have come to expect.

If we were to come to Parliament with measures to deal with any difficulties that might lie ahead in our relationship with Spain, then I predict that the Leader of the Opposition would claim that any such difficulty would not have happened if he had been in office since Brexit and he had had to deal with the EU – an EU that sold us down the river to Spain, not just in our departure by extracting us from the UK negotiations at the request of Spain but from the very first year of Spain's membership when they kicked out our Airport from the EU, also at the request of Spain. So, clearly I do not share the identification of the Member opposite of being European meaning being part of the European Union. The concept of being European is simply a geographical concept and not a concept of national identity. We are British Gibraltarians, and we happen to live on the European part of the planet, as does the UK, but there is no such thing as European nationality.

There is one even more fundamental difference between us and them, a fundamental red line that means that the relationship between us and them can only be one of permanent antagonism to each other's values. This is the incredible attempt to overturn the sovereign right of this Parliament to determine policy by majority vote, representing the democratic choice exercised by our people in a general election. When the Government brought a Bill to this House so that, on it becoming law, a number of words and phrases contained in statements made in the public inquiry in respect of McGrail's resignation as Commissioner of Police the Members opposite misrepresented the issue and were vehement in opposition to it, which they are entitled to do, but then the Government Members voted in favour and the Opposition voted against, and there was a majority of one.

Between 1972 and until just after 2006 when the new Constitution came in, there was predominantly a majority of one in the elected Members of the Government compared to the Opposition. When we vote this year's Budget, assuming and now having confirmed that they will continue with their policy of voting against, irrespective of whatever it contains, there will also be a majority of one. So, is it the view of the Opposition that a majority of one is not sufficient for law to be enacted by this Parliament and that they can seek the Governor to overturn the decision of the Parliament and block the legislation, or even go to the Foreign Secretary to ask for the same to happen? This is what the Leader of the Opposition, Mr Clinton and Mr Bossino did in respect of legislation that was designed not to publish individual words in documents that were available to the inquiry but not available to the public, because the advice that we had was that it was potentially capable of damaging security issues. So, because they were against it or because they believed that that was not the case, or because they wanted the general public to believe it, they went to the extent of trying to put our constitutional relationship with the UK back to pre-1954, wiping out all the constitutional advances in the intervening years, for which many elected representatives of our people have fought and won irrespective of their political ideology.

This is the GSD that, after the 2006 Constitution was implemented, argued that we were no longer a colony as a result of it, that there was no need to continue to campaign for self-determination or to hold the Casemates self-determination political rally, that there was no longer a need to participate in addresses in the UN to seek recognition of our right to self-determination, because by implementing the 2006 Constitution we had already exercised self-determination and decolonised ourselves, thereby requiring the UN only to de-list us. Well, as we all know, the GSD did not convince us and did not convince the United Nations, and we continue as a non-self-governing territory.

Indeed, the Leader of the Opposition addressed His Excellency the Governor in the last meeting by saying it was more than 40 years, and arguably more than 100 years, since the English and Commonwealth courts recognised that the Crown in a self-governing territory – not a non-self-governing territory – comprises a separate and distinct Crown in the right of that territory. This can only mean one thing: that the Crown is the Crown of the independent Commonwealth countries that are not republics and that, therefore, for self-governing territories we can replace independence and decolonisation. He then claimed that Gibraltar has undoubtedly acquired that measure of self-government.

Well, Madam Speaker, if that is what the Leader of the Opposition and the GSD believe, which is what they said in 2006, then His Excellency the Governor is part of the Government of Gibraltar to the same extent as His Majesty the King is part of the Government of the United Kingdom. So, does the Leader of the Opposition here believe that the Leader of the Opposition in the United Kingdom can ask His Majesty the King to overturn legislation approved by the government majority in the UK Parliament?

Having compared our level of self-government to that of other Commonwealth countries that have been decolonised, he then went on to suggest the opposite, namely that there was a need for further constitutional reform along the path of self-government. It is self-evident that if we have achieved the level of self-government such that we are no longer a non-self-governing territory – that is, a colony – then the path of self-government is complete. In the same sentence the Member opposite talked about modernising further, a GSD concept that we have never accepted, which equates modernisation with decolonisation, when these are two fundamentally different things.

Madam Speaker, speaking to the economy, I want to draw attention to the fact that the last input/output study of the economy was delivered in 2003. An important observation made was that the changes that had been taking place in Gibraltar's economy made it difficult, and to some extent meaningless, to try to make comparisons between 1978, 1998 and the 2000 models. Today we are also at the point where the economy going forward has to be different from the preceding models: firstly, because of the changes in our trading relations since Brexit – we need to remember that the fluidity deal does not create different employment or trading rights; secondly, because the pace of new technology and, in particular, the provision of artificial intelligence is going to fundamentally change the world of work and we need to be ahead of the curve to remain competitive.

When it comes to our trading position, the following facts are important. The future economy of Gibraltar cannot be determined by whether there is an agreement this year on access to Schengen for persons and access to the EU single market for goods. This, if it happens, will no doubt impact on the competitiveness of local businesses which could face much tougher competition from the hinterland but is unlikely to affect one way or another the international businesses which are the foundations of our economy, including the work undertaken by the ship repair yard, which is now a fundamental part of the economy and has produced incredibly beneficial results, the best in its history, since it ceased to be one of the five Royal Dockyards. The plans for the expansion of the workload of the dockyard are an important part of Gibraltar's future and count with the full support of the Ministry for Economic Development.

In terms of the possibility of an agreement, as was made clear during the election campaign, it will either be a deal that meets the criteria that have been set out to protect Gibraltar's red lines, or a no deal result. The latest position of the Spanish government, in its statements to the Senate and more recently in La Línea, requires the presence of controls by Spanish officials within our country and thereby describes a no deal result.

The Frontex involvement in the delivery of Spain's obligation under Schengen law to ensure controls on entry into Schengen areas has been proposed and would apply on the basis of the non-binding understanding of December 2020, which allowed negotiations to start in 2021. The limitation of the Frontex presence to four years followed by their departure and replacement by Spanish officials under the Spanish authority working in the terminal on the isthmus reflects, in my view, the expectation by the Spanish government that their presence in our homeland will be less objectionable after four years of Frontex. The red lines now have to be the red lines in four years' time, and the relationship with Schengen would be terminated. Why should that be, Madam Speaker? Because the Spanish view is that the presence of Spanish officers is unacceptable to us because we do not trust Spain, but that our distrust will be eroded by the convenience of free-flowing movement across the international Frontier between us and Spain, across which it would still be the end of Spain, the end of Schengen and the end of the EU territory and the start of the national territory of Gibraltar. Fluidity of movement in and out of Spain will not change the fact that there is a line which demarcates where *our* sovereignty over *our* land begins.

The position is no different from what would happen in any other point of entry of Schengen where there is an agreement for a neighbouring state. The agreement is about movement, not territorial sovereignty. So, a movement into Croatia, for example, is controlled by Croatia, and then, once people are in that territory, they can enter into the Schengen area. In the case of Croatia, nobody is arguing that they cannot control who goes into Schengen. The position here is that Spain says that the isthmus is not part of Gibraltar. However, the law of the European Union applies in La Línea, not on the isthmus, which is subject to Gibraltar law only. Moreover, the fact is that Gibraltar, which is listed as a non-self-governing territory at the United Nations, starts at the international Frontier with La Línea and not at the Casemates Guard House, where we celebrate and carry out the Ceremony of the Keys Parade. In spite of all this, it is still possible for a Schengen state to put in place controls when they feel it is necessary, and this is currently happening. For example, Austria has done so at its border with Hungary and Slovenia.

With this in mind, it is clear that increasing our self-sufficiency and the reduction of our dependence on the hinterland is the only sure strategy that can protect us in the future. It is a strategy that I identified in 2016 when the referendum result was announced, since our experience as EU second-class citizens after the Spanish entry was, in my view, likely to put us at the mercy of Spain in any post-Brexit negotiation. This is exactly what happened when the EU refused our inclusion with the UK in the transitional period and forced us to negotiate separately with Spain after the UK had secured its position, a scenario which has been repeated and is what has happened since the end of the transition in December 2020.

The Members opposite have limited themselves to criticising the Government at the result of any negotiation, even when the incredibly valuable Tax Treaty was signed, which for the first time in our history provided that Spain recognise the separate identity of the Gibraltarian people in an international treaty, which is the first treaty with Spain on Gibraltar since 1713. This incredible recognition by Spain in an international document was something they had repeatedly said at UN seminars they would never accept.

The Leader of the Opposition, in his remarks on the arrival of His Excellency the Governor, used the words 'people' and 'population' as if they meant the same thing. They do not. The people of a non-self-governing territory have a separate and distinct identity; the population of the territory includes the people of the territory and other residents whose nationality is different, who are not a colonial people with the right to self-determination. Issues that will determine the future of our land have to be decided by those who have the right to our land. There are issues that appear to be of relevance to the economy, but putting the economy at the mercy of a hostile neighbour has to be determined by the Gibraltarians, who have no home other than this Rock.

In 2019 we fought an election where we spelt out the change of direction of our economy following Brexit. It is astonishing that the Members opposite, then or since, have never given an indication whether they agree that this is the direction we need to travel or whether they think there is an alternative, a different national economic plan for our economic structure and the security and future of our land and our people. How can they claim to be ready to govern without saying if they agree on the direction of travel that we have planned for Gibraltar or have an alternative? If the answer to both things is no, then it can only mean that a future Gibraltar that is absorbed by Spain is not something that they are committed to prevent.

The constitutional relationship of Gibraltar with the UK is the least of our worries at this point in time. What we have to address is how we reposition our economy to be able to maintain the level of public services that we have, for which the consumers are not charged because the tax yield from the global companies based here provides sufficient revenue to cover the bulk of the costs. It is the most important task our Government has, and it would be the same for whoever else might be in Government, since it is an externally imposed situation which we have to adapt to, just as we have done in the past when significant changes to the economy took place, just like the GSLP did to adapt the economy during the period 1988 to 1996.

Incidentally, Madam Speaker, when the Leader of the Opposition chooses to draw attention to how small the difference involved between the two sides is in the 2023 elections, he needs to remember the past. Other than the two elections won by the GSLP in 1988 and 1996, when the margin between the Government and the Opposition was 8,000 to 9,000 votes, there has generally been a gap in the low hundreds in every election. Even when it was the result of thousands of votes, in our case, we still had a majority of one in the elected Members. But, of course, the Leader of the Opposition knows all this because he was already involved in politics in those years.

What Gibraltar needs today is an Opposition that is capable of coming up with a strategy for our future economy that is better than ours. If they do not have one, then the Opposition must accept and support our strategy as the way ahead, irrespective of any other issues on which they may disagree. But the basic issue can only be one: where we need to be in the future. Of course, I say this on the premise that there is an awareness that we need to restructure our economy, but perhaps I am mistaken in thinking that, and they are not even aware that this is the position. Perhaps they think that nothing needs to be done to give direction to our economy and that there is no need for a National Economic Plan because the economy will look after itself with no direction. Since they have never set out where they stand on this, it means that the only option for Gibraltar's continued prosperity is what is in our National Economic Plan.

In spite of the size of our economy, we need to try to develop a degree of diversification so that it is not overdependent on a narrow sector of economic activity. To illustrate this by way of example, when we look at the number of air arrivals as an indicator of both tourist and business arrivals but with tourists being the predominant element, we see that in the GSD 15-year period it grew from a level of 40,000 to a high of 61,743 in 2003 and then fell back to 55,619 in 2011, a trend that continued in 2012 at 52,340 persons. After 2012 it started to grow strongly, so that by 2015 it surpassed the highest GSD 2003 level at a new high of 66,735, an extra 5,000 visitors. The growth continued every year until 2019 and peaked at 92,657, almost 31,000 more than the GSD peak of 2003, an all-time high. COVID, in 2020, took the figure down to the level of the 1990s at 44,830, compared to, for example, 41,616 in 1998. The recovery from the COVID economic closedown was followed by an early recovery to 56,567 in 2021 and a further growth to 69,171 in 2022, already above the 2003 maximum under the GSD, and another increase last year to 72,332. However, these fluctuations have not had a corresponding identifiable impact on government revenue that would show a correlation.

The numbers, however, play an important part in the profitability of small local businesses. This sector of economic activity historically has produced a larger spend from day visitors overland than from staying visitors arriving from the UK, simply because of the huge disparity in numbers. Visitors by land in the years 2000-plus were in the region of 7 million to 8 million, increasing in 2010 and 2011 to 11 million. They remained around 9 million to 10 million in 2019 and then the COVID drop brought them down to the 5.34 million level, returning to 7.7 million in 2022 and 8.8 million this year. The fluidity across the Frontier will affect these numbers in the future, and delays in coming to and leaving Gibraltar could become a factor that would make unlikely an increase from this source if the delays reduce visitor time and they have less time to spend here. The spending in our economy in the past has been as follows. From an all-time high of £225 million in 2019 it dropped to £66.5 million in 2020 and has recovered to a level of £190 million last year.

Madam Speaker, the National Economic Plan since 2019 has had a fundamental element, which has been the containment of the size of the workforce, a change from the policy we adopted in 2012 to increase employment, which was similar to the previous administration. The previous administration had a policy, prior to 2012, to increase the size of the workforce. Since then, there has not been a reaction from Members opposite to the change in this economic policy and, in turn, the management of the labour market. We do not know if they are in favour or against the policy we introduced in our 2019 manifesto to deal with the post-Brexit situation. I would remind Members that in line with this policy, we identified as a target a cap, a maximum labour force of 32,000, in the 2019 manifesto and repeated it in last year's manifesto, so it continues to be government policy to curtail the size of the labour market. The reason for this, which I also explained at the time, is that we were no longer targeting increases in GDP but instead we had a new metric, which was GDP per worker as opposed to GDP per resident.

To monitor the impact of the policy, I set out comparators which we had chosen by reference to the performance over a number of years up to 2018-19, the baseline, and the years post this date. From October 2015 to October 2018 the labour market grew by 3,851 employees from a total of 26,144 to 29,995, an average increase per annum of approximately 1,284 workers. From 2018 to 2021, the three years after the new policy, the increase has been 408 in three years, from 29,995 to 30,403. By comparison with the growth of 2018 to 2021, the average per annum now has been 136 instead of 1,284. Taking the four-year period, we have in 2014 to 2018 an increase of 5,573, from 24,422 to 29,995, an average per annum increase of 1,393 workers. In the post-Brexit strategy, from 2018 to 2022, the four-year increase is 1,158; that is, from 29,995 to 31,150, an average per annum of 348.

Coming now to last year's performance, the figures for which have been tabled in this House, we can compare two five-year periods, from 2013 to 2018 and from 2018 to 2023. In the first period it went from 22,907 to 29,995, an increase of 7,088, representing an average annually of 1,418, whereas in the five-year period from 2018, the post-Brexit programme, it has gone from 29,995 to 31,523, an increase of 1,528 over the five years, an annual average in the last five years of 306 per annum. In the first five-year period, the number of frontier workers went from 7,504 in 2013 to 13,654, an increase of 6,150 out of an increased workforce of 7,088. That is 87% of the total increase consisted of frontier workers, whereas the resident worker proportion was 13% of the increase. In the second five-year period, with the new policy objective, the workforce grew by 1,528, and of the increase the frontier workers amounted to 490. That is 32% of the total were non-resident, frontier workers, and 68% of the workforce were the resident workers. In fact, between 2022 and 2023 there was an increase in resident workers of 373, and over the same period a slight drop of six frontier workers in the last year.

The drop in employment in the retail trade sector last year increased productivity, given the increase in visitor expenditure in the year, which went to £258 million from £209 million, a £49 million increase in spending, and at the same time the workforce dropped to 3,573 from 3,599. So, we had 24 fewer workers and a turnover of £49 million more in business. This gives a very clear indication of how, since 2018, based on the policy change of 2019, we have successfully reduced the rate of growth of our dependence on the frontier workers because this makes us vulnerable to the disruption of our economy if there are delays in coming in to work. The process, however, has only just started because we need to see a reduction in number and not just the dramatic slowdown in the rate of growth.

Madam Speaker, I am pleased to inform the House that the Savings Bank is doing very well – maybe to their disappointment – in terms of attracting deposits, and it is likely to exceed the figures in the target we set ourselves in the October General Election. Some 12 months ago, as a result of the high rates of interest set by the Bank of England, commercial banks in Gibraltar introduced very competitive savings with much higher rates of interest than was the case previously. To maintain the competitive position in the local market, the economic development debenture was devised and made available in late August. These were well received, with investor take-up somewhat slow at the beginning. In answer to Question 658/2023, I provided Parliament with the money invested in this product as at the end of September 2023, which came in at just over £11.25 million. After the General Election I wrote to all our depositors explaining the purpose of the new debenture and generally how the Savings Bank was performing in accordance with the targets we had set ourselves in our manifesto. I also explained in broad terms how the deposits from the public were being reinvested, particularly how the new product launched a few months earlier would play an important role by providing, in some cases, funding for projects undertaken by the private sector but supported by the Ministry for Economic Development as sponsored projects. Mr Clinton did not like my letter to our depositors and chose to comment on it.

The level of investment since December, when the letter was distributed, and in particular from January this year, has grown at a huge rate. In my second letter recently I was able to report to our depositors that the level had reached £173 million. The demand continues to grow and depositors are now having to make appointments to be able to purchase debentures. I am, therefore, very confident that at the rate deposits are coming in, particularly for the economic development debentures, this product will probably reach £200 million in the current year.

The level of investment in the economic development debentures will place us in a very good position to support sponsored projects in the current financial year, which will help in the creation of assets and increase our self-sufficiency and resilience; in other words, the role of the people's development bank, the Savings Bank, will be more important than ever before in this present term. As regards the overall target of £2 billion in deposits, which is the figure in our manifesto for the growth of the Savings Bank in this term, it looks at present as if we could reach this target earlier than October 2027.

Madam Speaker, the contrast between the way we responded to the GSD Government on the Savings Bank and the behaviour of the GSD in opposition is like the difference between night and day. In the year 2003, in the Budget, the House was told:

> During recent years the availability of appropriate banking services has been concentrated in progressively fewer banks, that is to say the appropriate domestic banking services. Some people particularly the lower paid find it increasingly difficult to obtain range of banking services at affordable prices and on affordable terms. In order to remedy this and to supplement the services available in the private sector the Government will during this financial year

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> Be extending the services available and supplement the private sector to remedy this. The Government will during the financial year further extend the role of the Gibraltar Savings Bank by extending the banking services and the banking products provided by the Gibraltar Savings Bank and these will include Cheque Accounts and even Card Accounts are a possibility. Well, Cheque Accounts for certain, ATM facilities, Automatic Tele Facilities and possibly also Card Accounts. This extension of the role of the Gibraltar Savings Bank the Government hopes will go to correcting some of the difficulties that people in Gibraltar, some people in Gibraltar particularly the lower paid, particularly those that are paid low incomes in cash are having in obtaining easy accessible banking services.

I have reminded Members in previous Budgets that there was a later occasion when they announced that the Savings Bank would become a provider of annuities to local workers and that this would convert the Savings Bank into a multimillion-pound business.

Madam Speaker, there was not one word of criticism from me, as Leader of the Opposition, nor did I ever chastise them for not delivering on their promises, even though they used 'will' and 'for certain'; I accepted that they found they could not deliver, and that was it. This is in stark contrast to the GSD's conduct when they are in opposition. So, it is not true that the way they react to things that we say we want to do is the way we reacted to the GSD when they said they were promising to do things.

In government, their standard position was that they made things public when they thought it should be done, not when we asked questions. Even more important, their policy was that the Opposition had no legitimate right to criticise the Government for delays against delivery times of issues where the Opposition had not made a political commitment themselves and, therefore, by definition, the items in question would have never happened if the Opposition had been successful and become the party in government. A logical argument. By this criteria, 90% of the accusations levelled at the Government by the present Opposition are invalid according to the values and the criteria of when they are in government.

Madam Speaker, looking at the expenditure for the year, the forecast balance of the Consolidated Fund provided a year ago was £176.3 million. This has now been revised and the actual figure is now £179 million. Although there was an improvement in recurrent revenue in 2023-24, at £726.3 million compared to the £727 million in the Treasury estimate, for the current year it continues to be put as an estimate at £733 million, close to the actual outcome for 2022-23, when it was £723.4 million. The position is, therefore, that revenue from existing sources is not increasing and that any new activity under the economic development initiatives could not be expected to have an immediate impact in raising these revenue levels. There will be a time between the creating of the activity and the profits yielding revenue for the Government. Still, it is important to note that the current levels of revenue are higher than any previous year before 2022-23.

The original estimate for 2022-23 was £637 million, following an actual level achieved of £650 million the previous year. This was the start of the recovery of revenue, which had fallen from an all-time high of £703.8 million in 2018-19. This conservative estimate was revised and forecast to come in at £731 million, primarily as a result of forecast tax receipts of £251.4 million as opposed to an original figure of £182.4 million and now further revised to an actual level of £725.5 million. In the case of Company Tax, the forecast was £159.5 million compared to an original estimate of £125.2 million and an actual figure that has now come in at £159.7 million. For the year just ended, 2023-24, the forecast revenue is £746.3 million compared to the original of £726.9 million, £20 million extra. This includes a revised Income Tax forecast of £255.5 million compared to an estimate last year of £250 million and, in the case of Company Tax, a forecast of £155.3 million compared to an original figure of £155 million.

On the expenditure side of the Department's budget, the position is as follows. The actual budget figures finished at £603.8 million in 2022-23 from an original estimate of £552.8 million and a forecast of £605.4 million. The utilities head came in at £83.8 million compared to £67.8 million, accounting for £16 million; and Health and Care came in at £203.2 million compared to £192.5 million, accounting for £10.7 million. The total increase in those two heads, therefore, came to £26.7 million and the balance of £9.2 million was spread over the remaining 50-plus heads of department, which went from £307.6 million to £316.8 million, an increase of just under 3%, whilst in the case of Health and Care the increase was 5.6% and the utilities 26.3%, clearly indicating the impact of fuel costs. This £32 million was predominantly in Health and Care, which is forecast to come in at £228 million compared to £203 million, an increase of £25.4 million. The balance of £6.6 million is spread over the remaining 50-plus heads and represents a 1.6% year-to-year increase in respect of all these other Departments collectively, whereas in the case of Health and Care, year-to-year expenditure was up by 12.5%.

It is quite clear that many of our people think that increasing the level of spending by Government every year is normal and that there is an expectation that this will happen. This is only possible when the level of recurrent revenue is also increasing. In the last three years the level of revenue, which recovered after COVID, has been stable but not on an increasing trend. Thus, restraining the growth of public sector expenditure in these circumstances is no mean task, but for as long as our revenue streams remain static there is no other choice.

Looking to the future, Madam Speaker, the way ahead from where we are is not going to be easy. The past year has been quite sensational in terms of our economic performance but it has had negligible impact in increasing government revenues. In the areas of labour productivity and international trade, the performance has probably been the best annual results in the last 52 years. This is in spite of factors such as the wars in Ukraine and elsewhere which are distorting and affecting the global economy, the fact that the globalisation agenda is still growing and the fact that there is an increasing concern that the target of keeping global warming within the range of a maximum of 1.5 degrees over pre-industrial levels looks increasingly unlikely to be delivered. These factors are destroying assets at a huge rate on a global scale, which is impoverishing the global community.

In spite of this negative background, our bilateral trade with the United Kingdom reached the highest level ever in 2023. After starting the increase post-Brexit and then having a downturn with COVID, the terms of trade in the UK have been as follows up to 2023. The bilateral trade – that is the total of our imports from the UK and our exports to the UK – were £2.8 billion in 2016, the Brexit year; in 2017 they rose to £3.7 billion; in 2018, £4.5 billion; in 2019, £4.9 billion. In 2020, we had the COVID effect and it dropped from £4.9 billion to £4.1 billion, but it quickly recovered in 2021 to £6.3 billion, in 2022 to £6.4 billion and in 2023 to £7.2 billion. The value of the UK's exports to us went from £1.8 billion in 2016 to £5 billion in 2023. Our exports to them went from £1 billion in 2016 to £2.3 billion in 2023. We had a £2.7 million trade deficit with the United Kingdom, which means we helped the United Kingdom to the tune of £2.7 billion to stay afloat. To put this in context, we bought more from the UK than either Morocco or Portugal.

At the same time as we reached a £7.2 billion trade bilaterally with UK, we had a similar level with the EU in euros – €7.2 billion, 90% of which was the purchase of fuel. Gibraltar is ranked 43% as a trade partner of the EU, based on the total value of trades in goods, and 26% as the trade partner of the United Kingdom in the trade of services. Taking together these two markets and adding other similar international bilateral flows brings the total figure of our international trade to over £15 billion in a year where our GDP came in at just under £3 billion, giving a ratio of four times international trade to GDP. This is extremely high. The standard view of economists is that a country whose trade is five times their GDP – that is a trade to GDP ratio of 500% – is rare, but that small, highly open economies with substantial trade relative to their economic size might come close to it. One notable example that is quoted is Singapore. In Singapore's case, the trade of exports and imports is often significantly higher than its GDP. For example, in recent years, Singapore's trade to GDP ratio has been reported to exceed 300%, reflecting its status as a major global trading hub. However, reaching or exceeding trade to GDP is uncommon and indicates an exceptionally high level of trade activity relative to a country's economic output. Other small and highly open economies, such as Luxembourg and Hong Kong, also have high trade to GDP ratios, but typically nowhere near as high as 500%. In other words, in this area, in 2023, Gibraltar was number one.

The next success was productivity. Over the past two years, 2021 and 2022, UK productivity has grown at an annual average of 0.9%. This is almost double the average growth in the previous decade, which came to 0.5%. To be clear, low productivity is not unique to the UK. Labour productivity has plummeted in most advanced economies since the late 1990s. It has been especially pronounced since the global financial crisis following the major hit from the COVID-19 pandemic, but the UK performs worse than several comparable economies and it ranks mid table among the G7 countries based on GDP per hour worked, below France, Germany and the United States. The next UK government will need to make tackling low productivity growth its top political and economic priority. This means putting it first in the decisions on public spending, tax policy, regulation and international economic policy, and doing the minimum necessary on other issues that compete for resources, despite the strong case for them. There is a simple reason for this. Without a sustained increase in productivity performance, the UK will continue to find it impossible to meet public expectations for rising prosperity and quality of life, or its international security, environmental and developmental responsibilities.

In Gibraltar's case, the latest Employment Survey Report, for October 2023, puts the total workforce at 31,523 and the estimate for 2023-24 GDP at £2,911,120,000, producing a ratio of output per worker at a value of £92,349. The value of output per worker as a percentage is the increased productivity that is the new metric introduced in 2019, the base being the October 2018 statistic which, for that particular year, was a GDP of £2,455,980,000, which produces growth up to 2023 of the GDP increase in the years from 2018 to 2023, the five-year period, of £445.14 million, an 18.53% increase in the value of the output of the economy between the first year and the last year of the five-year period.

This growth in the output of the economy was accompanied by the growth in the size of the workforce, including frontier workers, of 1,528. The inclusion of frontier workers in the calculation deals with the biggest shortcoming of the previously used GDP per capita, which is the normal measure used by everyone else in other economies, but we have one now that takes care of that anomaly. The workforce increased from 29,995 to 31,523. That means that an increase of 5.1% in the numbers of workers generated an output, a growth, of 18.53% in the size of the economy, hence reflecting the increased productivity; that is, the increase in the output was more than three times the increase of the numbers of people employed to generate that output.

The result of the four-year National Economic Plan between 2019 to 2023 is now showing the results that we projected and proves that we have moved in the right direction. It is important that we understand that there is no alternative for us, indeed for any other country in the western world, other than increasing efficiency and productivity in order to increase wealth and in order to be able to provide more and more of the improvements that we want to have for our people. There is no other way. It is impossible to increase taxation, particularly in an open economy when we are competing in that area with other people who have similar tax rates.

The new metric applied in 2019 shows that five years after the announcement the increase in productivity has been achieved. The policy of the four years from 2018-19 has been reflected in the 2023 manifesto and we now have the use of the first-term results as the evidence for what was going to be government policy going forward. It is, of course, extremely disappointing that Members of the Opposition have, to date, not given any indication as to whether they agree that this is the policy that has to be followed or they have a better alternative, or indeed any alternative at all. In my judgement, it is the only policy that safeguards Gibraltar's future. But, of course, that is self-evident because if I thought there could be something better that we could be doing in terms of policy then I would have advised the Government to do something else. Indeed, the policy to optimise and targeting productivity increases is what economies elsewhere are recommending for the way ahead. In fact, a recent endorsement of the UK future Labour government from a highly regarded economist points to precisely the need for the UK to get out of the rut of no increased productivity, which is expected to be an early part of the agenda of the new Labour government.

Madam Speaker, I expect this financial year to see quite a lot of progress in a number of exciting private sector developments which are sponsored projects using the Economic Plan. The sponsoring of a project does not mean that the project will be funded, constructed or owned by the Minister for Economic Development or any other Government Department, or that it would be a charge on our recurrent expenditure, but it does mean that the project will be considered to result, once completed, in the provision of facilities that will be of benefit for the economic and social development of our country and/or an asset that contributes to its resilience and adds increased self-sufficiency, thereby contributing to the objectives of the National Economic Plan.

With respect to the point put by the Leader of the Opposition, who does not want to wait a year to be told what I think of his contribution, I will, this year, tell him now. He still does not understand what the expenditure we ask Parliament to approve is conditioned by: (1) what the Treasury conservatively estimates the revenue for the year is likely to be; and (2) the priorities as to what services should be getting in their request for expenditure, constrained by the level of revenue. This is all that is done and has ever been done in putting together a Budget target. If, during the year, less money comes in than was estimated or one Department needs more, since we will not break the golden rule we have to look to make savings or not proceed with spending in other areas to compensate for the excess in the one that is given priority. This is the only way to avoid deficits. This is what the Leader of the Opposition criticises in his speech. Why, Madam Speaker? Because if we take action to avoid deficits, then he cannot attack the deficits that he wants us to have. So he now has to rely on Mr Clinton to criticise the action that we have taken to avoid having deficits, which is what they say they want us to do. Clearly, they are committed to the concept of attacking the Government to such an extent that they attack us if we allow the deficit to take place and they attack us if we take action to prevent it.

Finally, as I have just explained how we have changed the treatment of providing for the loss of government companies, I will deal with the items put by the hon. Member Mr Clinton on social media. Mr Clinton, in anticipation of his contribution, has chosen to place on social media copies of the change of the treatment in company losses as if he was revealing something hidden. The two pages he has copied are already public. I will now provide a similar two pages from the Budgets of 2008-09, 2009-10 and 2010-11, showing the GSD treatment of the company losses, which is the way we have done it, for the first time, this year. By Mr Clinton's calculations, these false surpluses by the GSD Government in the years that I have mentioned were as follows. In 2008-09, the GSD, in the Book, showed a surplus of £18.947 million, but that, of course, was by hiding the deficit in the companies and giving the companies money from the pool of cash. If they had done the exercise done by Mr Clinton with this year's Book, then their surplus for 2008-09 would have been a Clinton deficit of £11.053 million. In 2009-10, the GSD claimed to have produced a surplus of £25,437,000, but calculated in the way that produces the Clinton deficit this year their deficit in 2009-10 was £43,563,000. In 2010-11, they produced a surplus of £28,217,000, but their Clinton deficit was £37.3 million. Clearly, the position is that when we came in 2011-12, we decided that when the year closed we would not do it the way they were doing it from the cash pool; we would do it by giving money out of a surplus, therefore writing off the deficit. That is what made Mr Clinton advise his colleagues to vote against after 2015, when we were giving £30 million to clear deficits in the companies.

For the first time, this year, we have done it the way they used to do it because we have no choice, because we have not got a surplus. So, because we have not had a surplus, we have done what they used to do to avoid showing deficits. *(Interjection)* If it is wrong for us to do it, then we have only done it one year and they did it for three years. On that basis, Mr Clinton has to criticise his own party three times as much as he can criticise us on this particular point.

In 2012, we introduced a contribution of £28.3 million instead of an advance to cover the Government losses and that is why there was a surplus – a true surplus, according to Mr Clinton, instead of an artificial one – of £31,256,000. We have shown that the Clinton surplus is something that has been invented this year and that they never applied it to themselves when they were in government. I think, Madam Speaker, that the facts speak for themselves. *(Banging on desks)*

Madam Speaker: The Hon. Mr Feetham.

Minister for Justice, Trade and Industry (Hon. N Feetham): Madam Speaker, I stand before you today delivering my first Budget speech in this Parliament. I will provide an overview of the activities and initiatives I have been delivering since 12th October 2023 when I was appointed Minister for Justice, Trade and Industry, a portfolio that includes financial services, gaming, justice, postal services and taxation. Given my wide ministerial portfolio and the focus by the Leader of the Opposition on the Corporate Tax measure announced by the Chief Minister yesterday, I propose to deal with all my Ministries as briefly as possible. This will allow me to respond to the points raised by the Hon. Leader of the Opposition and also present the new tax measures we are proposing to announce today.

The last eight months have been a period of review, change and development across all sectors under my responsibility. Broadly, work continues to diversify the financial sectors both geographically and in terms of product offering. It is a priority of our Government to try to dilute the concentration risk, where appropriate. I set out below some of the initiatives implemented in connection with the financial services industry.

I start with financial services. It has been a significant year of change for the team at Gibraltar Finance. Last year we said goodbye to James Tipping, Finance Centre Director, and two of our senior executives, namely Mike Ashton and Tim Haynes. A recruitment process followed for the post of Finance Centre Director and one senior executive. No candidate was successful for the Finance Centre Director position, so the Government has decided to leave the position vacant for the foreseeable future. These changes have had the effect of significantly reducing the cost base of the Department by over £400,000 per annum.

Since taking office, the total revenue received by the Finance Centre under other charges in the financial year 2023-24 has been over £7.44 million. Between the financial years 2011-12 and 2023-24 the total revenue received under the same subhead was just £10 million, of which 74% was collected in the financial year 2023-24. I have also had a look at the spending of the Department. We have implemented spend control measures and decided, for example, to make changes to the Budget by removing 30% of the cost to allow us to focus on the areas that deliver most value to the industry as a whole.

Over the years the Government has provided considerable support to the Gibraltar Financial Services Commission (FSC), including the subvention and contributions to cover extraordinary expenses. This year the FSC was holding significant reserves, which allowed the Government to reduce the subvention to £150,000 from £805,000. This allowed the Government to deploy resources elsewhere, where it was most needed, including a higher budget allocation for training for the Royal Gibraltar Police.

Gibraltar continues to be a premier destination for financial services. Our regulatory frameworks are designed to protect investors whilst fostering innovation. One of our important manifesto commitments is to grow the sector and we want to do it in a safe and secure manner that protects the consumer and guards the macroeconomic future of Gibraltar. We also want to enhance competitiveness and foster employment opportunities, particularly for our youth. The Connect Hub is a strategic initiative designed to empower our youth and bridge the skills gap and increase employment in Gibraltar's financial sectors. We have tried to assist young jobseekers, offering support and guidance to those exploring career opportunities.

The Connect Hub collaborates with leading companies in the financial sectors to provide mentorship, internships and job placements. It also works in partnership with the Digital Skills Academy, hosting workshops and outreach programmes to raise awareness and interest in the financial sectors. These seek to raise awareness, especially among our young people, of the career opportunities in banking, insurance, online gaming and other related industries. I would like to thank Heather Victory, Nicolas Rocca, Karon Cano and the rest of the team for the excellent work they are doing.

My Ministry is committed to fostering strong relationships with our local firms through an outreach programme. I have been delighted to accept invitations from so many firms to visit their premises and meet their people at all levels. Since October 2023, we have proactively engaged with over 20 companies across Gibraltar, reflecting our dedication to understanding and addressing the needs of our financial sectors. The outreach programme has included visits to a diverse range of businesses, encompassing key pillars of our economy, such as banks, accountancy and insurance firms, online gaming companies, investment firms, DLT organisations and more. It has been an absolute pleasure, not just to meet with the senior management teams but also, and more importantly, to meet with their workforce. I have met many wonderful people and this has allowed me to gain insight into the unique challenges and opportunities that these businesses face.

The outreach programme is about taking a proactive ministerial approach, listening to and collaborating with our stakeholders. We are also reviewing and engaging with important industry groups across the sectors, both at home and abroad. Included in this outreach are bodies such as the British Blockchain Association, the All-Party Parliamentary Groups for Cryptoassets and Blockchain, the Association of British Insurers and the Motor Insurance Bureau, to name but a few.

Madam Speaker, in the wake of Brexit, Gibraltar finds itself presented with a unique opportunity to forge ahead with the establishment of a captive regime tailored for international business, an endeavour previously hindered within the confines of the EU. The Government is actively engaged in consulting the sector on a captive regime, specifically catering for international entities beyond the UK and EU passported jurisdictions. To drive this initiative forward, a dedicated working group has been formed, comprising industry experts, Government officials and key stakeholders. The group is working on the development and implementation of the captive regime, ensuring it meets the needs of international business while aligning with global best practices.

One of the primary objectives of the working group is to design a regulatory framework that is both attractive and secure for captive insurance entities. The aim is to address the specific requirements of international captives, facilitating their establishment and operation in Gibraltar. In addition, this initiative should help the insurance sector diversify from the concentration risk within the Gibraltar Authorisation Regime (GAR), especially with the latest indication being that Gibraltar insurance companies write 37% of the UK motor market. This will not only enhance the jurisdiction's competitiveness to global businesses but also stimulate economic growth, create job opportunities and foster innovation within the local insurance market.

The Travel Scheme for Eligible Elderly Resident Citizens was successfully launched on 8th March 2024, providing a vital solution for elderly citizens who face challenges in securing travel insurance. As of now, the scheme has recorded 2,827 registrations, with a majority of these occurring through a face-to-face process organised by the Ministry at the John Mackintosh Hall, which drew 1,811 attendees. This initiative has proven especially beneficial for those hesitant to travel to Andalucia, Spain, due to previous medical conditions, age- or cost-related concerns that made it difficult for them to obtain private medical travel insurance. We said we would deliver a solution and we did within four months of being elected. We have also stopped abuse of the scheme by wealthy members of our community and I may say more about this in the future. In the open insurance market, the indicative cost for an over-60s scheme was estimated to be at least £1.5 million and could have exceeded £10 million annual premium depending on the number of elderly citizens. This would still have come with terms and limits, especially regarding pre-existing medical conditions, which would have excluded many elderly citizens from coverage. Instead, we have implemented a captive-type solution, as I initially explained in Parliament, at a significantly reduced cost – in fact, a very small fraction. This prudent and innovative approach to fulfilling our manifesto commitment has allowed us to reallocate the saved funds to other areas of government expenditure. I would like to express my gratitude to Mr Karon Cano, Senior Project Manager, for the excellent work he has done in assisting me with the implementation of the travel scheme.

Madam Speaker, there are a number of other projects at different stages of development. Specific announcements on these initiatives will be made in due course. The Government has a macroeconomic policy interest in encouraging economic growth, whether in financial services or other sectors of the economy. An important aspect of such growth is speed to market, which is often influenced by the legislative and regulatory landscape. Similarly, the Government has a macroeconomic obligation to ensure public funds are used prudently. While businesses will sometimes fail as a result of their commercial activity, the Government's policy is to minimise the risk of such business failures placing an undue burden on public funds, quite apart from the disruption to local consumers. I am delighted that on 28th May 2024, the Financial Services (Amendment) Act 2024 passed in Parliament with the unanimous support of this House, with the Opposition expressing their full support for the macroeconomic importance of the legislation. I am grateful to the Opposition for this. Separately, I have recently consulted the hon. Member opposite, Mr Clinton, on a piece of insurance-related insolvency legislation I propose to bring to this House intended to safeguard the financial stability of Gibraltar in a particular area, and I am grateful that he has shown an appreciation for the importance, where necessary, of working together in the best interest of Gibraltar.

Madam Speaker, may I express my sincere gratitude to the team at the FSC, very ably led by the CEO, Kerry Blight, for their diligent work and support during my time in office. I would particularly like to highlight the contribution made by the young team – Julian Sacarello, Jamie Triay Clarence, Julian Warwick and Daniella Benamor – only because I have worked more closely with them than other colleagues.

As a jurisdiction we continue the detailed and substantial work required for delivery of the GAR, which delivers UK market access for our financial services firms. This requires us to review all our financial services legislation, working closely together with colleagues from the UK government. This is an ongoing programme of drafting and consultation, and I am grateful to the policy team at the FSC for their work in this area. My thanks also to the industry for supporting this work. I know that many people continue to give of their time, working often to tight timetables. My Ministry, together with various Departments and Agencies, also worked very hard to address the deficiencies identified by the Financial Action Task Force (FATF) and successfully removed Gibraltar from the FATF list of countries under increased monitoring, the so-called grey list. I will come back to this issue later in my speech when I cover the work done under my Justice portfolio.

Before I turn to online gaming, I would like to thank the Finance Centre Council and the various working groups for their time and commitment. I am much obliged. I would also like to thank Mr Jonathan Bracken for the legal drafting work he does for the Government, spanning several years. His knowledge of our financial services legislation is, quite frankly, extraordinary and I am very grateful to him for his excellent work. Finally, I would like to thank Paul Astengo and Emma Azzopardi, senior executives, and the rest of the team at Gibraltar Finance for their support.

I now turn to online gaming. The Gambling Division continues to deliver significant value for money. The Division, which has 10 staff including the Gambling Commissioner, operates on a budget of less than £1 million. In addition to gambling duty, licence fees and change of control fees, since 2020 the Gambling Division has brought in an additional £6.2 million of revenue in regulatory settlements and last year revenue exceeded estimates by over £2 million.

The sector generally provides a significant proportion of the government tax yield, principally through PAYE, Social Insurance and corporate Income Tax. As a ministerial policy initiative, the Gambling Commissioner and the Income Tax Commissioner signed a MoU to have a joined-up approach to optimising tax compliance earlier this year and yield in conjunction with licensing activity.

Gibraltar has a total of 50 licensees. We have seen some market consolidation through M&A activity, acquisition and rationalisation, but Gibraltar remains an important gambling hub for what are now multi-jurisdictional businesses. The main market for our operators is the UK – 72% by using gross gambling yield as a proxy – but we continue to see interest as a base for the rest of the world business. We are still managing interest from operators for licensing in the jurisdiction. Sector employee numbers are 3,711.

There are strong relations with the UK Gambling Commission. In addition, and alongside a policy group advising the Government on the new Gambling Bill, the Gambling Division has supported me from a technical and sector knowledge perspective, as well as maintaining the important relationship with the Gibraltar Betting and Gaming Association and the wider industry.

We desire to grow the number of operators in Gibraltar, but that cannot be at the cost of Gibraltar's reputation. As a responsible Minister and Licensing Authority, I am focused on both the integrity of operators and the value they bring to the economy, both in terms of tax yield and the wider macroeconomic contribution.

I want to thank the sector for its constructive engagement with me. We are aware that the sector has had to handle recruitment and other operational challenges, but the sector also appreciates the advantages of being located in Gibraltar. I would like to thank Mr Andrew Lyman, Gambling Commissioner, and his team of regulators and administrative staff for the fantastic work they do in overseeing and administering this vital sector of our economy. I would also like to thank Sir Peter Caruana KC, Peter Montegriffo KC, Peter Isola and Albert Isola for the very valuable advice they have provided to me and the Gambling Commissioner on the new Gambling Bill, which I propose to bring to Parliament at the earliest possible date.

Madam Speaker, I now turn to Justice. I start with the Government Law Offices and the Office of Criminal Prosecutions and Litigation (OCPL). The Government's team of lawyers have continued to play a crucial part in delivering legal advice to the Government, shaping legislation and providing legal representation to our governmental departments and law enforcement agencies. The team at the OCPL continue to diligently and professionally represent the Crown in our criminal courts at all levels. The successes that they have achieved in the past year have not gone unnoticed, and it is clear that they represent the Crown independently and capably at all times. Aside from their work in the courts, the OCPL continue to work on a number of projects in the ongoing and continuing MONEYVAL process. I would like to thank Christian Rocca KC, Director of Public Prosecutions, and Paul Peralta, Parliamentary Counsel, and their respective teams for their hard work and advice.

This year has been a challenging one for the courts on account of the retirement of two members of the judiciary. The Stipendiary Magistrate, Mr Charles Pitto, retired in September 2023, and you, Madam Speaker, retired from the Supreme Court in November 2023. The Judicial Service Commission immediately embarked on the recruitment process for both these two positions, acting on advice from the Commission. His Excellency the Governor appointed Mr Charles Bonfante as Stipendiary Magistrate and HM Coroner, who took up office on 18th March 2024, and Prof. Matthew Happold as Puisne Judge of the Supreme Court. Prof. Happold will take up his post on 1st August this year. As a result of several retirements, and in order to maintain the complement of existing Justices of the Peace, a recruitment process is currently being undertaken by the Judicial Service Commission.

As Minister for Justice, I will continue to work closely with Hazel Cumbo, the Chief Executive of the Gibraltar Courts Service, to ensure that the courts' back-office administration is properly resourced to ensure that the level of performance, support to the judiciary, court users and the legal profession is maintained, so as to continue delivering a timely and efficient justice system that is open to all. My thanks to Hazel and her team.

In respect of His Majesty's Prison, I am delighted to report that there has been no major incident or disturbance reported. The average population figures for the last financial year stood at 31 prisoners. I am happy to say no juvenile admissions were recorded during this period.

In respect of rehabilitation, the Prison continues to be well served by professionals offering a variety of programmes to assist offenders in breaking the offending cycle and becoming productive members of the community. Inmates receive counselling and psychiatric evaluation to assist in their journey to rehabilitation. Organisations like Narcotics Anonymous also provide a valuable service. The prison facilities continue to be well used by those in custody.

The Government has invested in the training of prison officers who have attended a variety of courses, ranging from a control and restraint instructors' course held in Cyprus, mental health first aid, suicide prevention, first aid at work, and first response emergency care, amongst others. I would like to thank the Prison Superintendent, Nigel Gaetto, and his team for doing a great job. I also want to thank all the members of the Prison Board for their time and the tremendous work they do.

This Government is committed to finding an answer to the question of how best Gibraltar as a whole could tackle the issue of juvenile offenders in our community. Madam Speaker will, both from her time on the Bench and now as Speaker of this Parliament, note that this is not a new or novel issue. There has been talk over the past years, in particular, as to whether a solution to this would be a purpose-built youth detention centre for Gibraltar. In fact, the need to make a decision on this issue, after proper consultation with relevant experts, was a manifesto commitment for this administration and one which I was keen to progress as soon as was practicable. The information which I received from the experts all pointed to one conclusion: that given the number of individuals involved and the projected cost, the creation of a secure juvenile detention centre is not the best fit for Gibraltar or the most effective use of resources. I was assured that although there may be arguable benefits in certain circumstances to such a centre, these would need to be balanced with the reality that the majority of the time the centre would either be empty or just have one detainee who would, in effect, be in solitary confinement. As such, the focus must not be solely on what happens once a juvenile is convicted of a crime and sentenced to imprisonment, but in trying to ensure that there is early intervention. This is why I will be refocusing the work from looking at a juvenile detention centre to working on ways that juvenile crime may be prevented through timely and early intervention in a manner which makes the best use of the resources available both outside and inside the Prison. I look forward to working on this with my ministerial colleagues to ensure the best results for these individuals during the remainder of this parliamentary term.

Madam Speaker, the Probation team is committed to the delivery of services to the courts, the Prison and the community. In 2023-24, the two social work trained probation officers worked closely with a range of stakeholders, service users and the wider community and voluntary sector to assist people with complex needs to lead constructive lives and help make Gibraltar a safer place. The team has undertaken further training in risk assessment and management techniques and, along with colleagues in the Royal Gibraltar Police (RGP) and Care Agency, plays a pivotal role in the multi-agency oversight and management of sex offenders in the community. These arrangements received my direct support when I joined their training event in March 2024.

The team has also benefited from professional supervision by a fellow of the Probation Institute. During 2023-24, the team has developed links with the Community Justice Overseas Territories Network and this has been an excellent opportunity to gain new skills and knowledge from other British Overseas Territories, and also to share some of the good practice demonstrated in Gibraltar. My thanks to Desmond Bell, Jessica Perez and Stuart Santos, who run our Probation and Community Services.

For several reasons, which I do not need to detail, the past year has been a challenging one for the Royal Gibraltar Police. One of the key issues that they are facing is that of maintaining their complement. I am pleased to be able to maintain an independent yet positive and professional relationship with both the Commissioner of Police, who I meet regularly, and the Gibraltar Police Federation. Of course, as Minister with responsibility for Justice, my powers with respect to the financing and direction of the RGP are constrained and limited. However, as I have previously confirmed to this Parliament, His Majesty's Government of Gibraltar has agreed with the Commissioner of Police that the Royal Gibraltar Police should not fall below the complement level and that in the new Budget year they will be able to recruit above the complement level to maintain resilience. The Government has made that commitment clear and it is one that is worth repeating today. Evidence of this commitment can be seen in the fact that late last year the RGP employed 16 new police officers, who started their recruitment training in September 2023 and are now operationally deployed. A further 12 police officers started their police recruit training in January 2024 and will be deployed in August 2024. A further recruitment campaign took place recently for 18 vacancies, with the successful candidates selected and starting their recruit school imminently. Additionally, the RGP continues to fulfil its obligations to recruit 10 command and despatch officers and five detention officers as part of the civilianisation of posts to release officers back into frontline policing. Furthermore, a Crown counsel has been recruited into the

Economic Crime Unit to assist in their work, as well as specialised financial investigators. Again, this is in addition to the RGP's complement of officers.

As a result of the recent armed policing inspection carried out by His Majesty's Inspectorate of Constabulary and Fire and Rescue Services, the RGP has strengthened its firearms capabilities and capacity in order to maintain its readiness to meet a wide range of terrorist threats and organised crime. This includes reaccreditation for existing firearms commanders, to maintain 24/7 immediate response command capabilities. A major uplift in firearms officers is under way, with specialised training being delivered locally. The RGP are also future-proofing the force by ensuring that additional officers are qualified as firearms instructors.

Plans are in place to improve New Mole House Police Station, enhancing the working environment and providing much-needed space.

Despite the difficulties it faces, the RGP continues to work in all areas of policing. I would like to thank Commissioner Richard Ullger, Assistant Commissioner Cathal Yates, the senior command team and all police officers and support staff. My thanks, too, to the Gibraltar Police Federation for their constructive engagement with me over the last months.

Madam Speaker, as the central authority for the receipt, analysis and dissemination of financial intelligence, the Gibraltar Financial Intelligence Unit, led by its director, Edgar Lopez, continues to make significant progress across a broad range of areas in the global fight against money laundering, terrorist financing and proliferation financing. The unit's digital transformation has continued, exploring options available using artificial intelligence and machine learning technologies that will allow the unit to enhance its operational capacity. Project Nexus, the unit's outreach and engagement programme was awarded the Government of Gibraltar's best project in 2023. Through this initiative, the unit has conducted numerous training sessions in the private and public sectors. Internationally, the unit has become strong and a trusted international partner. My thanks to Edgar Lopez, Carl Ramagge and the rest of the team for the sterling work they do both locally and internationally.

The Gibraltar Co-ordinating Centre for Criminal Intelligence and Drugs (GCID) continues to make significant contributions in the sharing of information and intelligence with Gibraltar law enforcement agencies in regard to serious crime, drug trafficking, money laundering and organised crime, which may involve persons or organisations who operate locally or outside Gibraltar's jurisdiction with links to Gibraltar. GCID continues to have seconded officers from the RGP, HM Customs and the Gibraltar Defence Police, with the overall command and responsibility being held with the RGP. My thanks to DS James Rodriguez and the rest of the team for the great work that they do.

Following the on-site visit by the FATF to Gibraltar in December 2023, I attended and addressed the FATF plenary in February this year and the FATF removed Gibraltar from the list of countries under increased monitoring, the so-called grey list. Gibraltar had already previously demonstrated that it had made sustainable progress in improving its standards across most of the recommendations made in the Mutual Evaluation Report of MONEYVAL in 2019, with just two points outstanding at that time, namely more enforcement actions by regulators and greater number of confiscations of criminal proceeds. I have said this publicly before, but I would like to thank each stakeholder authority that contributed through their hard work and commitment to this deserved outcome. This has been followed by an announcement last month that Gibraltar has achieved full or largely compliant ratings across all 40 FATF recommendations in the MONEYVAL follow-up process and has exited all further follow-up procedures for MONEYVAL under the current round. Such a high standard of compliance is not frequently seen, even in FATF member countries.

However, we cannot rest on our laurels. The political decision of the European Parliament to block the European Commission's delegated regulation to remove Gibraltar from the EU's own list creates an issue. I will work with the Commission on the next steps and I am assured that the Commission remains committed to de-list Gibraltar from the EU list as soon as possible and to engage with us on the fight against money laundering and terrorism financing.

Of course, it almost goes without saying that the MONEYVAL Mutual Evaluation Report process is a continual cycle and Gibraltar has already been informed that the next evaluation will take place in 2027. I chair a steering committee made up of all Gibraltar stakeholder authorities on a monthly basis. Through this and other operational interagency working groups, I remain assured that Gibraltar continues to adhere to the highest international standards in this field, despite international political obstacles that may be put in our way, such as the decision of the European Parliament.

The MONEYVAL process has extended over seven years. From my professional experience, I know that there is such a thing as transaction fatigue in any prolonged M&A activity. Consequently, I understand that continuous efforts in these areas can have a similar effect. I have been involved for only eight months and I find myself dedicating an inordinate amount of time to it, on top of all my other ministerial responsibilities. My thanks to Kevin Warwick, Richard Montado and all the organisations and individuals that form part of the various working groups, for their continuous support in dealing with the FATF and sanctions. Their work helps us all.

Madam Speaker, I now turn to my responsibilities in respect of the Royal Gibraltar Post Office. Whilst last year saw changes at senior management level in the Post Office, the new management team has continued with a continuous-improvement approach adopted in the Department. As previously announced by the Government, a new mail centre will be built at Bishop Caruana Road. The three-storey, purpose-built building will replace the existing temporary facility at the Rooke site. The new building will include all customer areas on the ground floor, as well as parking and charging points for the Post Office's electric vehicle fleet. In keeping with the Government's manifesto commitment to a green Gibraltar, the building will also incorporate a green roof. This significant investment serves to demonstrate this Government's commitment to the improvement of working conditions to its staff, providing them with the best possible environment from where to deliver an optimum service to our people. I would like to thank Peter Linares, Director of Postal Services, and his team at the Post Office for their continued support and good work.

Madam Speaker, finally, I turn to a key portfolio of mine, which is Income and Corporate Tax under the Tax Office. This portfolio has normally been within the purview of successive Chief Ministers and I am grateful to the Chief Minister for entrusting me with this responsibility.

I would like to read out a quote from Albert Bushnell Hart, a Harvard-educated American historian often described as the grand old man of American history. This quote aligns to my own philosophy and beliefs: 'Taxation is the price which civilised communities pay for the opportunity of remaining civilised.' This emphasises not only the importance of tax revenue but also how imperative it is to safeguard this revenue from any existential threats. This is the only way we can ensure economic prosperity and preserve our nation's macroeconomic interests.

Tax is vital. Without it, we would be unable to pay for our public services and infrastructure. That is why I have been vocal and persistent on the subject of increasing tax yield from big businesses in Gibraltar since taking office. I have since announced in this House a top-up tax for big businesses and also separately taxed certain of their income that was previously and unfairly exempt from tax. I presented and therefore subjected both tax measures to scrutiny and debate in Parliament by way of ministerial statements.

We purposely chose not to tax workers, which is what the hon. Members across the floor of this House would have preferred given their initial reaction to what we were proposing. The Hon. Chief Minister, in his Budget address yesterday, announced that personal tax rates would revert to their pre-2022 levels, effectively removing the 2% increase. To maintain the current tax rates would effectively have been an increase in personal taxation for the working population. We are not prepared to do this.

The Chief Minister also announced an increase in the Corporate Tax rate to 15%. In his own Budget speech, the Hon. Leader of the Opposition expressed concern that increasing the Corporate Tax rate to 15% could prompt gaming companies to leave Gibraltar. He stated he was sceptical and suggested that this move could be misguided, potentially causing Gibraltar to lose its competitive edge. He also asked me to comment on whether there had been consultation with the industry. Even after increasing our Corporate Tax rate from 12.5% to 15%, Gibraltar remains generally highly competitive on a global scale. Many developed countries around the world have higher Corporate Tax rates, with those ranging from 20% to 30%. Specifically, as at 2023, the average Corporate Tax rate in the OECD countries is approximately 23%. A 15% Corporate Tax rate, therefore, strikes the right balance between a competitively low rate, allowing Gibraltar to continue to be attractive as a destination for businesses seeking to legitimately reduce their tax burden, and aligning to international standards and the direction of travel in global taxation and the harmonisation of a minimum global tax rate. Our Government does not expect this increase in Corporate Tax to be a direct driver causing operators in our financial services and gaming sectors to exit our jurisdiction. Many of these benefit from wider macroeconomic interest from Gibraltar, including the absence of VAT. I can confirm to this House that the taxation measures announced in this Budget have indeed been modelled with available statistical information. By moving to a 15% Corporate Tax rate, we are simply aligning ourselves with the OECD minimum Corporate Tax rate. Many of our large gaming operators are already Pillar 2 in-scope companies paying 15% Corporate Tax at a group level, making this increase tax neutral for them.

I must emphasise again, and I will be addressing this specifically later in my Budget speech, that the majority of gaming and financial services companies are not paying any Corporate Tax because they are reporting massive tax losses, while others are only paying a very low amount of Corporate Tax. A small number of companies, as I have previously explained in this House, are paying the majority of the Corporate Tax yield. Thus, the majority of companies will not be immediately impacted by the headline tax rate increase, but that is why we are also implementing the tax measures I will announce today and those we have announced over the past months, on the last occasion with the support of the hon. Members opposite.

We must be careful to avoid contradictions. We cannot say we need to restore financial stability and avoid taxing ordinary people, whilst also refusing to require big businesses to pay their fair share of tax. This would be a financial fiction and it is not possible. Hence, the further tax measures we are now announcing, which have been formulated after consulting with several operators, including some of the largest financial and economic contributors. Our National Tax Strategy must enable the Government to proactively respond to changing economic conditions and unforeseen fiscal needs and help us manage economic stability and growth. This strategy should allow for adjustments to tax measures throughout the year as needed, a practice we have already begun to implement over the last eight months.

We need to ensure our long-term economic success. That is why our efforts must focus on taxation. I will be outlining those initiatives we have undertaken in the last eight months, none of which taxed workers, and others we will introduce shortly, again without taxing workers. Our Government's Tax Strategy aims to optimise revenue through bespoke legislation, greater compliance and more interagency co-operation and collaboration, in particular to ensure that those generating wealth within our community contribute appropriately to tax revenues.

I am delighted to announce that the Income Tax Office now has two highly qualified and widely respected professionals on its team. These individuals bolster an already excellent team and provide the skillset and expertise to enhance the enforcement and compliance function, whilst seeking to reduce aggressive tax planning and optimise revenue. This recruitment allows for internal upskilling through on-the-job training to more junior team members and the development of a professional career in taxation. It opens up opportunities to collaborate with partner tax authorities so that the necessary expertise in complex areas of taxation, such as transfer pricing, may be developed. This pivotal step in our Tax Strategy proves our commitment to serving the public interest, safeguarding our macroeconomic interests and driving the right changes in taxpayer behaviour through policy development and compliance activities. I look forward to the positive impact they will undoubtedly make.

Madam Speaker, you may recall a Tax Bill that I brought to this Parliament in February 2024. This Bill extended the remit of paragraph 15 of schedule 3 to the Income Tax Act and provided certainty and clarity on the taxation of those sources of income generated by new technologies. This innovative approach of identifying gaps in our legislation underpins the very core of our tax policy. We can then focus our efforts on these specific areas for the benefit of our community.

A key principle of our Tax Strategy is to ensure that any new legislation tackles issues that we perceive may pose a risk to our economic sustainability. Our solutions seek to ensure that large taxpayers pay their fair share of taxation towards our community for our shared benefit. This allows us to continue to support expenditure in our public sector, Health Service and education. This is a matter of macroeconomic importance for Gibraltar. In this regard, I echo the words of Arthur Vanderbilt, a well-known American judge and judicial reformer, who said, 'Taxes are the lifeblood of Government and no taxpayer should be permitted to escape the payment of his just share of the burden of contributing thereto.' This concept of fiscal responsibility is at the heart of these new tax measures we are introducing. Our intention is to drive economic prosperity through increased tax revenue, whilst also ensuring that we eliminate the possibility of exploiting tax advantages.

In April 2024, I revealed to both Parliament and the public that the financial sectors in Gibraltar had accumulated significant tax losses in excess of £2.1 billion. Closer study of our taxpayer demographic revealed two important observations. These are: (1) a clear example of the 80:20 rule, where a small number of licensed and regulated financial sector businesses contribute the majority of the Government's Corporate Tax revenue; and (2) the existence of some large multinationals in these financial sectors reporting small and even nil profits locally in comparison to significant profitability at group level. This is unacceptable and threatens the foundation of our fiscal sustainability. This issue not only jeopardises the Government's recurring revenue but also risks the viability of future cashflows. Gibraltar cannot, and will not, carry the reputational risk of licensed and regulated companies without economic benefit for our community. Left unaddressed, it poses a clear and present risk to Gibraltar's macroeconomic interest.

For this reason, the first Corporate Tax measure I will be speaking about aims to preserve tax revenue in the light of such significant accumulated tax losses. This measure will limit the use of the losses available for carry forward, preventing the erosion of taxable profits by businesses with significant tax losses and delaying the payment of tax for years to come. An overriding principle of this measure will be the continued ability to carry forward unutilised losses within the context of the regime. Similarly, the regime should permit current year losses to be deducted and it is not intended to tax loss-making businesses. The regime will not increase the tax burden. What we intend to change is when tax is paid and eliminate the complete erosion of taxable profits using carried-forward accumulated losses – as previously stated, in excess of £2.1 billion. This is not about the amount of tax; it is about the timing of tax and limiting the ability to push tax off into the far distance.

We have studied Gibraltar's taxpayer base and economy carefully, focusing on those industry sectors with the highest usage of carried-forward tax losses. Our taxpayer study revealed that, as expected, our financial sectors are the most active industries. In 2008, the United Kingdom limited the carried-forward loss regime for the banking sector. Other jurisdictions do likewise. We have, therefore, taken a policy decision with the regime we will be introducing to limit it to those sectors comprising the bulk of the carried forward losses, namely the financial services and gaming sectors. The regime does not remove the benefit obtained from those deductions, allowances or equivalent provisions introduced between 1st July 2020 and 31st July 2022. These very generous measures designed to stimulate the economy will remain. This regime does not eliminate losses. They can continue to utilise accumulated losses prospectively, albeit at a slower rate; one which allows and ensures a fair and proportionate economic contribution to our shared community.

Our studies have identified the economic risks for Gibraltar if this position remains unaddressed. In our view, this is the legitimate aim and justification underpinning the initial implementation of this measure. This is just one element of our National Tax Strategy and will only reach its maximum potential once all gaming and financial services operators are reporting profits. We are not there yet. Our work through tax compliance inquiries and interventions must work concurrently with this measure. This is the only way in which we can address this critical issue. This measure will be effective from 1st July 2024 and be immediately effective for returns filed after this date, irrespective of the actual accounting period being filed. This is necessary given some of the delayed filing positions observed in these sectors.

I now turn to the other measure that will be introduced. This one seeks to impose taxation on the profit or gains derived from property sales, where any person holds three or more properties. With the saturation of the property market in Gibraltar, the acquisition of property portfolios, including off-plan developments, and the subsequent sale of these real estate assets is generating wealth. The purpose of this measure is to provide clarity and certainty regarding the taxation of this activity. Too often, what is happening is people are trading in property but believing that this activity is outside the scope of our tax regime. It is trading income and we set out to clarify the law to allow such behaviour to be taxed without costly enforcement action. This is why we will set the threshold for tax at the ownership of three or more properties other than a primary residence or other exempted property. We do not seek to tax those who have a small number of properties, but instead those who effectively have a property trade and are generating substantial wealth from this. After long consideration, the threshold of three or more properties was felt to properly make that distinction.

The GSLP Liberal Government has built more affordable homes than any previous administration. However, families buying a home are also competing against wealthy speculators, which drives up property prices. We are taking action against investors who treat our property market like a stock market, and we will not hesitate to introduce further measures, if necessary. We intend to introduce an anti-avoidance feature in this measure, under which any person undertaking professional conveyancing activities on behalf of another holds a reporting obligation to notify the Income Tax Office. This will be broadly modelled on the existing legislation regarding the requirement imposed on professional advisers to disclose reportable cross-border arrangements. Given the composition of the property market in Gibraltar, we will ensure that suitable exemptions are included to ensure the measure is focused and does not impose inadvertent or improper taxation.

With the inclusion of off-plan properties we believe it is right to bring this part of the property sector in Gibraltar within taxation. We expect this to generate positive revenue flows. This is, once again, a proportionate approach, one designed to tax the wealthy that are investing their funds by effectively trading in our real estate stock and then capitalising on the resulting profits and gains, benefiting from the absence, historically, of tax clarity on such transactions. This measure will apply with effect from 1st July 2024.

These are the new tax measures that are to be introduced. I am pleased to announce that the relevant draft Bills are in the final stages of preparation and will be available shortly to be laid in Parliament for their First Reading. My intention is also to provide explanatory notes to the business community at large so that these measures can be fully understood.

In addition to these measures, our Government also intends to modernise aspects of the current tax law. This is the very essence of tax law evolution. It is necessary to adopt a dynamic approach to taxation and for our law machinery to be flexible to cater for both business and jurisdictional needs.

Firstly, I will turn to the living accommodation exemption under schedule 7 to the Income Tax Act 2010 for employees relocating to Gibraltar under predefined parameters. We have received representations that the current provisions are out of date and are not an effective tool for local employers to use in competing globally to attract skilled employees to Gibraltar. Attracting the right people to Gibraltar is paramount to our success. We need the right people in the right jobs and our Government is committed to facilitating this. We have listened to the industry's concerns and we will be proposing changes, modernising this in line with our policy objective and wider requirements. Our proposal will seek to afford more flexibility by allowing the benefit to continue to apply even when the employee changes address or employment after having relocated to Gibraltar. This exemption is intended to assist employees in relocating to Gibraltar to take up employment, primarily in the accounting sector. Consequently, this benefit will apply to accommodation in Gibraltar, obviously, not in Spain. Similarly, we will also review the duration of the exemption. Presently, this spans a seven-year period. This is too long for a relocation, so we will be reviewing this and aligning to a more reasonable period of time to reflect the intent of the exemption. We understand that the average duration of stay of such employees within particular business sectors does typically not extend beyond three to four years following their arrival in Gibraltar. As with any regime change, we must endeavour to avoid inadvertent consequences. For this reason, transitional rules will need to be introduced to ensure a fair treatment for those individuals that are currently enjoying the benefit. Whilst ensuring fair taxation is paramount, it is also necessary to ensure anti-abuse safeguards exist and compliance with the relevant filing obligations. These are being considered.

The other legislative amendment proposed seeks to maintain the tax status enjoyed by those students undertaking employment, whilst avoiding inequity for standard employees. Since 1st July 2015, those full-time students in part-time employment have been dealt with under a special tax for both PAYE tax and Social Insurance purposes. This exempted the income earned by the students outside the vacation period. In other words, a full-time student earning income outside the vacation periods from their part-time employment did not pay tax. We are not proposing to tax students. Unfortunately, this generous measure designed to sustain and support our youth as the caretaker generation for our future has been abused. Owner-managed businesses are circumventing the obligation to pay PAYE tax and Social Insurance by inflating student family members' salaries, which are then returned to the same household. This is absolutely disgraceful. Disgraceful, but true. For this reason, we will be tightening the conditions for this exemption. We need to stamp out this abuse and prevent others seeking to exploit meaningful measures for their own selfish benefit. We will therefore seek to apply the income threshold of £11,450 to both tax and Social Insurance in relation to the income earned by students. This harmonises the position and ensures equal taxation based on income and not the status of the individual concerned. It will prevent individuals in full-time jobs, working hard to support their families and coping with the burden of taxation, being placed in an inequitable position when considering some students enjoying tax-free earnings at the same level, often inflated artificially for tax avoidance purposes. As with the new measures announced, these legislative amendments are in their final stages. I will bring them to this Parliament to be read shortly and once ready.

All hon. Members will recall the important announcement I made in this House in December 2023 regarding the introduction of a qualifying domestic top-up tax as part of our Pillar 2 implementation plan. The team at the Income Tax Office has engaged with the working group set up by the Government for this initiative and are presently considering the best way in which to introduce this significant and historic tax measure. Similarly, we are continually engaging with the technical team at the OECD Secretariat to ensure that our initial implementation of our Pillar 2 plan is fully compliant and aligned to the requirements of the envisaged peer review process. The implementation of Pillar 2 is complex and resource intensive, and all efforts are currently focused on introducing the top-up tax by the end of 2024. We expect draft legislation for September, at which point a wider consultation will be undertaken with all relevant stakeholders. Our work on Pillar 2 will continue with the implementation of the income inclusion rule during 2025.

While I could share more on tax policy and the work of the Tax Office, much of it is already public. To save time, further information can be made available online as necessary. My sincere thanks to John Lester, the Commissioner of Income Tax, Julian Baldachino and the team at the Tax Office for the excellent work that they do.

In conclusion, over the last eight months, I have restructured my Department, taken costs out, and have introduced prudent tax measures, with more announced today. This is in addition to the policy initiatives we have delivered. I remind this House that I have previously stated, and repeated here today, that we will, if necessary, introduce tax measures outside the annual budgetary cycle. Most countries around the world face the same dilemma – whether to borrow more money or find new and sustainable sources of tax revenue to match levels of public expenditure. If we do not manage expenditure and we do not introduce targeted tax measures, the cost of inaction will only increase in the future, yet the Opposition's reaction to the increase in the Corporate Tax rate, still one of the lowest in Europe, was to suggest that it was misguided, aiming – they, that is – to protect big business, without regard to the underlying statistical information. No doubt they will say the same today about our proposal (1) to ensure that big businesses do not use accumulated tax losses to continue to avoid their tax responsibilities; and (2) to tax wealthy property speculators.

This reminds me of the words of Clement Attlee during the 1945 general election, which Labour won by a landslide. Referring to the Conservative Party led by the great wartime Prime Minister Sir Winston Churchill, who went on to lose that election, Attlee said, 'The Conservative Party is a party that stands for private enterprise, private profit, and private interests.' Not us, Madam Speaker. We are raising taxes today from those who can afford and should pay. But across the floor of this House, when it comes to taxation they can be expected to prioritise the interests of the wealthy and the powerful over the needs of this community. Make no mistake, their political instinct is not to look after the working class. I therefore make no apology for the tax measures we are announcing in this House today and others that might follow in the future.

Finally, I must thank the team at my office, led by Julian Baldachino, Principal Secretary, for looking after me and for their untiring work in supporting me as we strive to deliver our policy objectives. They all work in different areas, but each is critical to our progress. My sincere thanks to each of them and my sincere thanks, too, to the Chief Minister for his support and encouragement.

I now appreciate what my friend Albert Isola meant during the election campaign when he said, 'It is very difficult, if not impossible, to walk into these ministerial portfolios without the professional experience of knowledge built over many years.' I did this because, as I said during the election, I wanted to help Gibraltar in what I knew were going to be very difficult times ahead.

Yesterday, when I listened to the Hon. Leader of the Opposition, who I admit I like as a person, I kept asking myself, 'What would his party do in Government to manage expenditure, including public sector costs, and in order to raise the necessary cost to pay for it?' We must be able to engage constructively as parliamentarians in this important debate, especially given the size of our country. *(Banging on desks)*

Chief Minister (Hon. F R Picardo): Madam Speaker, I am conscious that you have been in the chair now since four o'clock; it is almost half past six. I wonder whether this might be a convenient moment to recess until ten to seven.

Madam Speaker: We will take a recess until ten to seven.

The House recessed at 6.25 p.m. and resumed its sitting at 6.50 p.m.

Appropriation Bill 2024 —
Second Reading —
Debate continued

Madam Speaker: The Hon. Mr Clinton.

Hon. R M Clinton: Thank you, Madam Speaker. This year's Estimates of Revenue and Expenditure for 2024-25 have been prepared in a manner which I can only describe as calculated to mislead and deceive the reader. It has already been labelled by some witty observers, much wittier than myself, as a 'car crash Budget' given the record U-turn on the proposed 10-year-old vehicle pollution levy, a tax which was unfair, if not ill-thought, and would have disproportionately affected those worst-off in our community and not wealthy Porsche drivers such as our pseudo-socialist Chief Minister. This flies in the face of what the Hon. Minister for Taxation is suggesting, that this side, somehow, is the party that would tax individuals, whereas the evidence, as we saw yesterday, is completely to the contrary.

It is unprecedented that a Budget debate in this House has generated such a spontaneous reaction from the public, resulting in a demonstration outside No. 6 yesterday evening. It goes to show that the Budget session is a very serious matter that matters to people and affects people in very real ways. We can see the evidence of this not just in Gibraltar but in other countries: in Kenya, they have had riots on the Finance Bill. Taxation goes to the core, the very heart of what parliamentary democracy is about. The Minister for Taxation loves to quote eminent historians. Of course, he is well familiar with the American revolutionary cry of 'No taxation without representation'. That is what we are here in this place to do as representatives of the people: to tax them as necessary and only as necessary to meet spending for the needs of the community. We have to do that responsibly.

The Chief Minister yesterday came dangerously close to what I can only describe as his Liz Truss moment. I will comment on his ill-conceived Budget measures later, but first I have to pass judgement on his Budget as a whole.

The Budget presentation has changed, so the Government can pretend the Consolidated Fund has produced a small surplus in 2023-24 and projects the same for 2024-25. This is so evidently a disingenuous and inconsistent presentation of the numbers that I would vote against the Budget just on that point, let alone our historic concerns that remain as to how they book stuff off balance sheet. The truth is that the outturn for this last year ending 2024 should, using their own numbers, reflect a deficit of £25.7 million, and indeed next year a further deficit of £26.7 million, not the small surpluses the Government suggest; nor is this any sign of a return to financial stability. I will show that the 2023-24 true deficit is, in fact, more like £44.7 million after adjusting for some flattering accounting.

Madam Speaker, I truly regret that this debate will, if the Government maintain their pretence as to the authenticity of their numbers, descend into a parody of the famous Monty Python *Dead Parrot* sketch, whereby the general public and the Opposition can see the self-evident truth that this Budget is dead – a dud; it is not functioning – and the Government will maintain, 'No, it is alive and well,' when it evidently is not. I propose to, first, explain why this is a cynical representation of the numbers; second, analyse the financial position; and then finally, in a departure from my previous Budget contributions, offer the Government some constructive advice as to how to begin to correct the dangerous tailspin – and it is a tailspin – we face in our public finances as the deficits continue to mount.

The Government has this year, rather bizarrely, reverted to a presentation and method of funding government companies that they themselves changed and have consistently stated since 2012 was wrong and flattered the results. In fact, Sir Joe Bossano has just admitted that, in his contribution to this House. He admits that when they came into government they changed it. They can remind themselves of this and their contributions by reading *Hansard* of 9th July 2012, 8th July 2016, 5th July 2018 and 19th December 2019. On each of those occasions, they all described what they are proposing in the Book as is presented to the House today as wrong.

In last year's Estimates Book, in arriving at an estimated surplus for 2023-24 of £2.5 million, the Government included within recurrent expenditure an amount of £30 million, being the contribution to government-owned companies which is identical to that contributed over the prior four years. This was nothing new, but yet in the forecast outturn in the Budget Book that we have before us, the number is reported as zero. Then we have a forecast surplus of £1.9 million. Zero and then a surplus of £1.9 million. The financial support to government-owned companies is now instead reported as an 'advance' further down the page and is excluded from the surplus calculation. If the Government had maintained the same presentation which they have insisted on since 2011 and as anticipated last year, the £27.6 million would have reduced the forecast surplus of £1.9 million to a forecast deficit of £25.7 million – £25.7 million initial deficit, using their numbers.

For the benefit of the general public, I have placed both last year's estimate for 2023-24 with this year's outturn for 2023-24 on my Facebook page this morning, so they can see for themselves what the Government has done to change the presentation of the numbers. Sir Joe has seen that Facebook post and commented on it, and he does not deny it. He effectively has admitted to this House that they changed the presentation 'because there is no surplus' – Sir Joe's words. If the public do not have access to my Facebook page, they can look up Government Press Release 406/2023, which was published on 11th July 2023, for the full Budget Book last year and then look at page 1 of last year's Book and they will see £30 million there, and then compare it to page 2 this year and it is zero. Similarly, a provision for a £30 million company contribution next year in this year's Budget Book is just shown as a notional £1,000. If they adopted the same concept that they certainly have done for the last four years at least and provided £30 million, that would reduce this estimated small surplus of £3.3 million to a deficit of £26.7 million in 2024-25.

So where is this return to financial stability that the Chief Minister boasts about? It is not there; it is a mirage. This is just accounting sleight of hand. It does not take a genius to see what the Government has done. They admit it; Sir Joe has said it. When we asked him, 'Why have you done this?' he said, 'Well, we do not have a surplus.' So, remarkably, the Government, it would appear, will now go to any length, including – and this is really quite remarkable – ignoring their own convictions, to disguise the fact that its recurrent expenditure was significantly underestimated last year, as we warned, and, in addition, evidently dangerously out of control, as witnessed by the admitted overspending.

Sir Joe, in his analysis of this presentation, which he seems to think is acceptable because he now calls it 'the Clinton deficit' … I have never been named after a deficit; I would much rather have a star named after me, but so be it, the Clinton deficit. The Clinton deficit is nothing more than the truth. They have been following a presentation for the last 11 years, they change it and now, suddenly, it is the Clinton deficit. I am sorry, Madam Speaker, that just does not wash.

For the sake of making the Estimates Book, as it will be published, easier to follow for the general public, I would ask that the Financial Secretary include a subtotal on page 2 under the line that says 'Repayments of public debt' to arise at the balance of the Consolidated Fund. This would reflect the format that was adopted in 2011 that Sir Joe has already referred to. This would avoid the confusion as to why the closing balance on page 2 is different to the opening balance on page 1. I think that would be an easy adjustment to make before the Estimates Book is published.

Madam Speaker, that is really fundamental and goes to the heart of the matter. The Chief Minister stood up and said, 'Well, I predicted a £2.5 million surplus but, guess what, I came in at £1.9 million – aren't I brilliant?" Actually, he is not brilliant. He has failed completely – not even marginally, completely – to the extent he has had to get egg on his face and say, 'Well, look, you know what we said in 2011? We are going to ignore that. We are going to go back to the way the GSD did it, because that is more convenient for us now.'

So where are his principles? Where is his conviction? Where is the transparency and the reality? We did not hear a word from him during his Budget address. It fell to Sir Joe to explain it, and only because I put it on my Facebook page. Were they hoping that no one would notice? Were they hoping that we would not notice? What were they thinking? They are not reporting surpluses, they are reporting deficits, not just for this year but for next year. It is about time we understood in this place that we are talking about people's money. They are genuinely concerned, and if he does not believe it, he only had to look out of his window yesterday evening and he would have seen it for himself. The people are concerned.

When we look at the actual Book itself and we look at the estimated departmental outturn, it shows a massive £65.1 million overspend, and the Chief Minister would have us believe he has produced a surplus of £1.9 million. Nonsense, Madam Speaker. Ignoring the distorting effects the manner, as I have just described, of funding government companies has had on the reported results, the fact is that the total recurrent departmental expenditure budgeted for 2023-24 was £570.7 million and the estimated outturn is £635.5 million; as I said, an incredible net £65.1 million overspend. That compares to a departmental overspend of £53 million in 2022-23, so the overspending is getting worse.

Again, the overspend is, in the main, £57 million in respect of the GHA, Elderly Residential and the Care Agency. We warned last year, before the election, that the GHA budget was unrealistic and short by at least £20 million given historic spending patterns. It does not take a genius to take the last few years, average it and say, 'What do we think it is going to come out at?' The GHA alone exceeded its budget by double that amount, at £43.7 million. The total cost in 2023-24, the year just gone, of these three services, which will now be combined, amounted to £228.6 million, and the Government intends to budget, by some miracle, £207.7 million in 2024-25, some £21 million less, which again may prove unrealistic given that healthcare costs are only likely to keep on rising. As the Leader of the Opposition pointed out in his address, the Estimates for 2024-25 are just as unrealistic as we pointed out last year, and this is even without the favourable treatment accorded the contribution to government companies.

There are other areas which are perhaps conspicuous by their absence. I did not hear Sir Joe talk about Community Care. Last year, I think he said the reserves for Community Care were something like £39 million. We have not heard a word from Sir Joe about the reserves for Community Care, but then perhaps it is because when you look at the Social Assistance Fund on page 239 of the Estimates Book, the Government has not made the envisaged £7.5 million contribution to Community Care. It is nil, nothing, zero. So, what is the position in relation to Community Care, one of Sir Joe's favourite rainy day funds? Is it that it is actually coming to a crunch position? Community Care spends about £20 million a year. Last year it had perhaps £39 million, according to Sir Joe, so this year it may have £19 million left. Is that perhaps why the Chairman of Community Care wanted to resign? Is it because he could see that Community Care has a problem? If Community Care has a problem, we have a problem, because Community Care gets its funding from the Consolidated Fund, indirectly. So, if the Government is projecting – as we say, assuming their numbers – even a surplus of £3 million, they are going to have to contribute some money into Community Care to keep it afloat, unless there is something that we do not know about, and perhaps the Chief Minister will enlighten us.

Madam Speaker, talking about things that are not there, we are unable to locate in the 2024-25 Estimates any provision for the £10 million Care Agency settlement. We were advised, in answer to Question 393/2024, that this was processed by Treasury on 8th May 2024. It does not even appear as an exceptional expense in the Consolidated Fund for 2024-25. The Minister for Health gave an undertaking to this House to provide information as to where the money had come from if the Leader of the Opposition wrote to her, which indeed he did. On 21st May 2024, the Leader of the Opposition wrote to the Minister as follows:

> As mentioned in Parliament, grateful if you could confirm whether the £10 million was paid from the Consolidated Fund or from any other fund or any other entity/Government entity or source and, if so, which specific source.

This goes to the heart of the Budget Book and the Appropriation Bill which was before the House for the forthcoming year. We have not, as at this date today, had a reply from the Minister, and we need to know. If the Treasury has actually paid £10 million without the cover of an appropriation, then I worry for whoever the controlling officer is as to whether they may be held responsible for an unauthorised payment. At the end of the day, what we are doing in this House, although we dress it up as a State of the Nation address, is really about the Appropriation Bill. It is a law which authorises the Government to spend a certain amount of money, and if they exceed that spend or that vote they are meant to come back to the House with supplementaries. It is meant to be a control of expenditure. And so, we really need to know how this £10 million has been spent. Sir Joe calls the Estimates 'non-binding', but it is an Appropriation Bill, it is a proposed law: it is meant to be binding. It is meant to control expenditure. That is what we do here in the

Parliament. It is not just a guesstimate and whatever comes in we will change it and ask for some more money. It is meant to be a control on spending and it is meant to be a Budget that is realistic. Otherwise, why don't we just do away with the niceties and put £1,000 notional in the Book all the way through, and then they can spend whatever they want and then come back with a supplementary? It would be the same thing. The Minister for Health's Department is the biggest spender and I and my colleagues shadowing Health and Care look forward to hearing what she thinks of the Budget estimates for her Department and her combined Department, and how she intends to meet such ambitious targets. As the Minister follows me in this debate, probably tomorrow, I would be grateful if she would give the House the information requested as to the source of the £10 million, as she undertook she would.

The Government's spending budget across the board continues to be unrealistic and it is evidently unable to control costs. Sir Joe Bossano used to be the Minister for Financial Stability. Now that office – it has not been abolished, by the way, it is still there – is the Chief Minister's responsibility. I noticed with some concern that Sir Joe did not say a word about sustainability and financial stability and spending, which he has done in the past and warned the House that spending was unsustainable. He did not say a word.

If we look at the charges for 2024, the outturn shows a £12 million saving. The total recurrent Consolidated Fund charges budgeted for 2023-24 was £120.6 million. The estimated outturn is £108.6 million, delivering a net saving of some £12 million. Bravo, you might say, but the bulk of this saving is in the area of public debt charges, which is actually quite unusual when you think about it because direct gross debt, public debt, has remained static since last year and the interest cost has remained stable. The answer is that £10 million of interest cost has been charged to the General Sinking Fund and not the Consolidated Fund as originally anticipated. This has obviously flattered the year's result. So, we should adjust the recurrent deficit from what I said previously of £25.7 million to, in fact, £35.7 million. The proof of this is simply that next year's interest cost for 2024-25 is £10 million higher with no increase in direct gross borrowing or interest rates. As to why this was done through the Sinking Fund, Sir Joe Bossano last week responded quite honestly to supplementaries to Question 533/2024, explaining that this was done due to 'the financial situation this year'. Add that to what he said before – there is no surplus. So, the Government is obviously scrambling, trying to find pockets of money to disguise the fact that they are in a hopeless position. Raiding the Sinking Fund in this way also has the effect of increasing reported aggregate debt from £844.44 million to £854.4 million, so although he has not actually borrowed more, the net effect has been to increase aggregate debt because they raided the Sinking Fund.

On the revenue estimates – and the Chief Minister may find this of interest – the Chief Minister in his address, on line 216, stated the following:

> Third-party revenue came in at £746 million, which is £13 million more than our projected revenue of £733 million.

That is on line 216 of his speech. I, however, need to correct this statement, in that it should read, 'which is £22 million more than our projected revenue of £724 million'. The Chief Minister, it would appear, has read off the revenue line for the actual result for 2022-23 or perhaps suffered a typo for the forecast for 2023/24. Either way, I am sure he would wish to correct the record, especially as it is in his favour and giving him a £22 million benefit as opposed to what he said was £13 million. Madam Speaker, it is important that Budget numbers are reported accurately.

Sir Joe mentions that revenue is stable but not increasing. He talks about the need to restrain spending and he says, in cryptic words, there is no other choice, but he does not elaborate. He has not indicated whether he thinks his Budget is even sustainable. The Minister for Tax is very quick to point out that we need tax to support spending. Of course, but what level of spending? How is spending going to be controlled? Who is going to be doing the controlling?

The net Consolidated Fund overspend of £53.1 million, which I calculate as the £65.1 million I just mentioned less the £12 million I just mentioned, was therefore offset by improved revenue receipts of £22.5 million, reducing the impact of the deficit to a net £30.6 million additional loss. This is further reduced by £2.5 million in respect of company contributions, which would then give you a net-net loss of £28.2 million to be deducted from the original estimated surplus of £2.5 million for 2023-24. This, then, brings us back to what I originally reported of the unadjusted deficit of £25.7 million.

The excess revenue reported this year is significantly lower than last year, which was £94 million; £22 million versus £94 million. Indeed, the revenue for the main heads – being Corporate Tax, Income Tax and Import Duty – in 2023-24 have come in more or less as budgeted and not greatly exceeded, as in prior years. What is not entirely clear from the Estimates Book is why other receipts – under head 2, subhead 7 – came in at £7.4 million. This is something like £7 million more than is usual compared to prior years. I have gone back a few years and there has never been anything of this kind of magnitude on that line. I would be grateful if the Chief Minister could, in his reply, explain what has gone into that line in the year just gone.

Included in the £22.5 million excess revenue, however, is some £9 million taken in by way of state aid tax receipt, which in my view cannot be deemed to be normal recurrent revenue, so this needs to be excluded from calculating the recurrent deficit, which if added back then increases from £35.7 million after adding back interest of £10 million, to £44.7 million, which is what I have already called the true deficit number. Given this true deficit number and the likelihood of a further deficit next year, we really have to examine our ability to repay our existing direct debt going ahead.

This last year the Government has not borrowed any more money by way of direct debt, and the current borrowing under the UK guaranteed facility of £500 million remains at £425 million. Of course, we are now a year closer to the rollover repayment date of December 2026, but we still do not have a credible repayment plan. The Government has stated its intention to commence repayments. Last year's Estimates included a provision for half a million repayment but it did not happen, and next year the Government is projecting a £1 million repayment, but as I said last year, we do not have a credible plan to repay this debt. We would need at least £19 million a year over 22 years to repay the £425 million. Ten per cent of surpluses is not going to cut it, especially when we are in deficit. This is a serious point. The Government should be negotiating with the UK Treasury for a long, long-term plan, with all the options on the table as to period for repayment.

Whereas the Government has not borrowed more direct debt, although it has raided £10 million from the Sinking Fund, it has certainly increased indirect debt by borrowing more from the Gibraltar Savings Bank. Every year I analyse the gross borrowing on the direct basis and the indirect borrowing on a gross basis, but these are, I have to caveat, my best guesstimate because, of course, the Government does not like to give me these numbers. On the gross debt, the Government issued £372.7 million, which in fact is owned by the Gibraltar Savings Bank. There is the £5 million a year, probably expiring soon, facility of £75 million and the £425 million facility, which we know is the UK guaranteed facility. So, what we have in terms of direct debt is £500 million of bank borrowing and £372.7 million in government debentures held by the Savings Bank. That means the total gross direct debt is £872.7 million. As I mentioned last year, £625 million of that direct debt, 72% of it, is on a floating rate that will vary with the Bank of England base rate. Whereas it is anticipated rates will be cut, it is unlikely we are going to return to the period of ultra-low base rates, and so compared to previous years, unfortunately the burden of servicing our public direct debt is going to be a lot higher than it used to be.

Each year I try to quantify the indirect gross debt, being the moneys borrowed through companies, and this year I have the following list: the mortgage of the housing estates, which we know of, £300 million; Credit Finance borrowing from the Savings Bank, £438 million; the so-called sale of 50:50 Affordable Housing Scheme, £165 million; GSBA borrowing from the Savings Bank, £100 million; Gibraltar Properties Ltd borrowing from the Savings Bank, £80 million, which the Chief Minister was happy to disclose to this House without breaching the corporate veil of the company; ES Ltd, the power station, £92 million; Gibraltar Car Parks Ltd, £48 million; the purchase of the Hospital through GCP Investments, £16.9 million, which was disclosed last year; some sundry amounts from GCP Investments, £8.3 million; and of course, the mysterious GEP Ltd, £17 million, which seems to have a special status compared to Gibraltar Properties Ltd. That adds up, the indirect gross debt, to £1.3182 billion. In just the period January to March 2024 – that three-month period just before the financial year ends – the Government borrowed a further £20 million via Credit Finance from the Savings Bank. Over the last year, £60 million was borrowed by GSBA Ltd to fund Sir Joe's National Economic Plan, so Sir Joe has had £100 million from the Savings Bank for his National Economic Plan, which is still a mystery to us.

As I have referred, this company called GEP Ltd also recently borrowed £70 million from the Savings Bank – as I said, a company so mysterious that the Government last week refused to answer any questions as to what it needed £70 million for or how it would even repay the interest cost. This is the company that is owned by the Gibraltar Development Corporation. We are left in this place with the only option to speculate as to what this money is being used for, so let's speculate. That is what he wants us to do. He will not give us an answer, so we will speculate. Is this £70 million to build the College of Further Education? Is the £70 million going to be used to provide loans to the TNG Global Foundation for the Eastside project? Or is this some clever scheme to disguise funding to the GFA, to build the Victoria Stadium? The list is endless. We can all come up with ideas as to what to spend £70 million on, but this is money from the Savings Bank. The Chief Minister cannot get up and pretend that he is protecting the intellectual property or the legal personality of a company that is owned by the Government which he controls. It is just not credible, but he will persist in his pretence: the parrot is not dead. The Chief Minister told the public that the Budget debate – and I love this one; he should get it framed and put it on his desk – was the ultimate follow-the-money principle. But evidently only when it suits him and the Government. So much for his much-vaunted transparency and accountability, his new dawn. Transparency my foot, Madam Speaker.

In total, at least £150 million of Savings Bank money has been borrowed indirectly by the Government last year, and given what looks like recurrent deficit, it is not a pretty picture. The indirect debt is well over £1.3 billion, so when we add that to our gross direct debt we come to a figure of just under £2.2 billion. This Government cannot continue with the pretence that it is not borrowing. It *is* borrowing. It knows it is borrowing. Sir Joe knows it is borrowing. He has already called it his financial jungle, with much pride. This is not sustainable, this is not credible, this is simply not right. The people deserve answers.

The Chief Minister, in his address, went on and on about GDP. He boasted – and I really had to hold my tongue – that Gibraltar now has the second highest GDP per capita in the world. Again, we are back to the *Dead Parrot* sketch. I simply do not believe him, and neither does Sir Joe. Sir Joe, in his address said, 'No, we don't do GDP per capita anymore. We work on productivity measures and other economic type measures, but GDP per capita, forget it.' But the Chief Minister likes it. The Father of the House has repeatedly warned about the dangers of quoting GDP per capita and yet the Chief Minister persists in talking nonsense. Indeed, the use of other ratios, such as debt to GDP, are pretty much irrelevant for an economy of our size and, indeed, do not even consider the ballooning indirect gross debt of £1.3 billion.

Madam Speaker, in coming to Sir Joe's National Economic Plan, of which we hear so much and which he wants us to endorse or not endorse – if only we knew what it was – in a recent email to Gibraltar Savings Bank depositors Sir Joe Bossano stated he was deploying funds into Gibraltar's economy which would 'at one stage or another' increase revenue in meeting the rising cost of public services. But a plan 'at one stage or another' is a bit random. That is not what I would call a plan. Yes, I can agree with him as to the rising cost of public services. That is a self-evident truth, it is in the Book and he has long warned about it but obviously it has fallen on deaf ears on that side. But the wishful thinking as to the economic wisdom of his plan has to be questioned. His National Economic Plan is using Savings Bank money, and so far it is a shambles. He has committed £38 million to the Rooke Nursing Home, which by his own admission is in difficulty with delays, rising costs and cashflow issues with contractors. He cannot explain the economic rationale for funding the Eastern Beach sheds and he continues, unchecked, to use savers' money for whatever pet project he considers fit within his so-called National Economic Plan. His financial jungle continues to grow unabated. It is out of control with no regard to giving any information to this place. He says, 'No, my Ministry will sponsor the plan but my Ministry does not get involved; the government money is not used, it is a private company,' but he, effectively, is the mind behind the companies that are doing all this. He may not be using government money directly but he is using Savings Bank money, Savings Bank money of which he is the Minister responsible. So, how can he come to this House and say, 'No, it has nothing to do with me, it is a private company'? It is just not credible. If anything is to be seen or learnt from the Rooke Nursing Home, it is that Sir Joe is not always entirely in control of the outcome. He is not an investment guru. He is not Warren Buffett, as much as we all wish he was.

Talking about Warren Buffett, when we look at the Savings Bank there are several fallacies put about by this Government that I need to address, finally. The first is transparency, the second is management and the third is the need for its much-trumpeted reserves. Sir Joe maintains that he is totally transparent in respect of the activities of the Savings Bank and its investments, but the fact is he has and continues to refuse to gazette the audited accounts of the Savings Bank for at least the last five years – 2018-19, 2019-20, 2020-21, 2021-22 and lastly 2022-23 – and no doubt he will do the same for 2023-24. These are only in the public domain today because the Principal Auditor – the report they delayed – took it upon himself, a public servant doing his job properly, to publish them with his combined report for 2017 and 2018 on pages 61-125. Sir Joe has not published them; the Principal Auditor published them because Sir Joe would not. It is actually in the legislation. The Principal Auditor does his work, he gives them to the Minister for the Savings Bank and the Minister for the Savings Bank is meant to gazette them. Unfortunately, the law does not say when, and so Joe said, 'Well, you know what? I am not going to do it. I will do it when I feel like it.' This is what Joe calls transparency – sorry, Sir Joe; I apologise. It is just not credible.

Furthermore, the information that is provided in writing at the various sittings of Parliament is only provided because I have specifically asked for it. Otherwise, Sir Joe would not, of his own volition, publish anything in respect of the Savings Bank's investments other than political messages directed at depositors. Sir Joe, in his recent email to depositors – and I am flattered that he felt the need to name me twice in a communication to I do not know how many thousand depositors, but it was no doubt good PR, as Oscar Wilde would say – suggested that a GSD Government would somehow incur losses in running the Savings Bank. This is utter nonsense. It is the same nonsense as I regret to say the Minister for Taxation uttered about the GSD being the party that will tax individuals. It is nonsense and he knows it. I have great respect for him but he knows it. A careful read of the Principal Auditor's report on page 109 will show, in fact, that Sir Joe had been incurring technical operating losses in the Savings Bank in 2018-19 and 2021-22 were it not for the diversion of dividends from Credit Finance Company Ltd and related party dividends. Sir Joe is not an investment manager; it is not his profession. His use of the Savings Bank money for government projects while refusing accountability is simply not acceptable in this modern world and, indeed, should not be allowed.

As to the much-repeated story of the reserves of the Savings Bank and the wonderful story we keep on hearing, 'Oh my God, we came in, in 2011, they only had £1,000 left in the savings – what are we going to do?' Well, nothing, Madam Speaker, because there were no implications at all. The GSD had done nothing wrong in utilising the reserves for the benefit of taxpayers. Indeed, the Principal Auditor states the following in his reports about the reserves:

> The Gibraltar Savings Bank (Amendment) Act 2008, which came into operation on 24th July 2008, provides, *inter alia*, for the surplus in any year to be transferred to the Consolidated Fund provided that the assets of the Gibraltar Savings Bank will thereafter be not less than the liabilities to depositors, as represented by the deposits in the Gibraltar Savings Bank.

This is the important line:

> The consequence of the amendment is that it is no longer necessary for the Gibraltar Savings Bank to maintain a reserve balance.

No longer necessary, by law. The Gibraltar Savings Bank (Amendment) Act 2008 was debated at length on 18th July 2008 and it is available in full in *Hansard*. The various amendments at the time restricted the investment of moneys in the safest manner possible to avoid capital losses and thus released reserves which had been previously locked up. We have to remember that 2008 was the year of the global financial crisis. There was £17 million in the reserves at March 2009, which was government money, not depositors' money. The release of this money to the Consolidated Fund, as was discussed in the debate, was earmarked for the construction of government rental housing and used 'for the better benefit of the community at large'. The GSLP voted against this measure, as was their right, but then again I suppose they would not have built the rental housing. But this money was not blown on multimillion-pound music festivals or refurbishing No. 6 or some temporary mural on Ince's Hall, as this Government has been fond of doing in the past. This was used for social benefits for the community.

Today the GSLP boasts of the level of reserves in the Savings Bank as if it were a virtue, that the projected reserves of £76 million for 2023-24 are somehow sacred and they cannot be touched. It is Sir Joe's domain. It cannot be touched by the Consolidated Fund, even at the height of COVID. This rainy day fund cannot be touched. There is no practical purpose in maintaining this surplus, since the Savings Bank, as the Chief Minister said, has a copper-bottom guarantee from the Government – which is true, it is guaranteed by the Government – unless, of course, the Government is worried about Sir Joe's investment abilities and that there is a real risk of loss on the Savings Bank, such as the Rooke project or even their loans to this mysterious GEP.

The Savings Bank has become *de facto* the lender of last resort for this Government and, as such, it means that we in the Opposition have no choice. We have a duty to maintain a constant scrutiny on the activities of the Savings Bank because it distorts public finances. Whereas the GSD in 2008 or 2009 – I am not sure which date they took out £17 million, but they could have left it in there. They could have come up with a special-purpose vehicle like Credit Finance, bought a loan note from Credit Finance and then built the rental housing. That is the way they would have done it, but it ends up in the same pocket. At the end of the day, it is government money. So, to say, 'We came in and there was only £1,000. Oh my God, how terrible!' is nonsense. It is meaningless. There is no legal requirement. That is the people's money anyway. But they built up reserves which they refuse to touch. They would much rather tax the people. The Minister for Taxation may not know this because he was not here, but at the height of the COVID crisis they refused to touch it. In fact, in the Budget session, when the Chief Minister announced he was going to have a 2% tax hike, it was a 2% tax hike on the workers. He did not touch the Savings Bank reserves. This is a rainy day fund which is untouchable. It is just beyond comprehension.

Madam Speaker, when we look at the Budget measures, the Chief Minister has now had two spectacular Budget U-turns to his credit. It might be a record. The first was in the 2022 Budget when he abandoned within 24 hours the proposed £25 per week charge on companies, and the second only yesterday in abandoning the proposed pollution tax on vehicles over 10 years old. You have to ask yourself who on earth advises the Chief Minister when he comes up with these Budget measures. Again, I would encourage his Minister and indeed the Minister for Taxation to revert to the use of Finance Bills. It is not rocket science. A Finance Bill would concentrate the mind and allow for considered debate of each measure. I have heard what the Minister for Taxation has said about his proposed taxation measures, which we will no doubt debate when he brings the Bills to the House that he says are being drafted, but how much more efficient would it be if he had it in front of him today; if in parallel to the Appropriation Bill, which is just spending, he had a Finance Bill? That would be much more efficient. The proposed legislation that he has announced today, tomorrow has no legal effect unless he passes subsidiary legislation by regulation. It is much more efficient and certainly more akin to a modern Parliament that a Finance Bill is presented to the House and then we can debate each clause individually. If he looks back to the last time we had a Finance Bill – I think it was maybe in the days of Sir Joshua; I cannot remember – he will see that the House can vote for or against each clause. It is quite an efficient way of doing business. It is also a much more professional way of doing business.

I know that the Minister for Taxation is a consummate professional, he takes his job very seriously, but it is one thing to come to this House with ideas and say, 'We want to do this, we want to do that,' but in a modern Parliament we should have the Bill in front of us. He will then know exactly what it is that is being proposed, which clauses need amending, how it will all work. It will all be thought out. It is perhaps a waste of the House's time to have to consider each one Bill by Bill. I know he wants to continue coming to the House with tax measures outside the budgetary cycle, but if in the budgetary cycle he has, as he has announced today, at least four measures and the Chief Minister has had his own measures as well, we could just roll it all into one Finance Bill and all the measures could be debated and taken as the Bill after the appropriation. There is nothing difficult about that. As I have said before in this House, it would have the support of the Opposition. It is a fair way of doing business in this House.

Madam Speaker, I note that the Minister for Taxation talked about the domestic top-up plan tax measure, which has our support anyway but I would encourage him to perhaps speed up the drafting of this legislation because companies need to have certainty sooner rather than later. I know he has said a draft by September, but if there is any way he can expedite that, that may work – of course, we will not meet in August, so probably the earliest that he can possibly bring the Bill to the House is September – because companies need to have that legal certainty as to providing for taxation.

In terms of the measures the Minister has advised, I must confess I was a bit surprised about the student issue because I would have thought the anti-avoidance provisions would have kicked in there, but if he feels that the entire exemption needs to be redrafted or removed in a certain way, no doubt we will discuss when the Bill comes to the House whether this is perhaps using a sledgehammer to crack a nut or whether there might be some simple anti-avoidance measure that could be used.

We will debate more fully what he has announced as to the accumulated tax losses. Tax losses are a complex area, so we have to look at how those tax losses were generated, calculated and/or accepted. Although he has talked about carry forward, there are also old provisions about carry back, but those may have ceased some time ago – it is a long time since I practised in the area of tax. Again, we will debate that when the Bills come to the House. The taxation on property sales is an interesting idea which we will no doubt debate when the Bill comes to the House. As to the skilled employees, again I cannot see anything that would cause any concern, but we will see when we see the detail when it comes to the House. Again, if the Minister wants to conduct business faster, it would be easier if all this was combined into a Finance Bill and we could then debate it all in one go.

Madam Speaker, I raise this point because it is not something that the Minister may be aware of, but he will be horrified to know that, for example, the last tax amnesty granted by the Government was never legislated for. There was a Bill that came to the House, I think in the last Parliament, and it was never debated, and that Bill in itself was old, so the money collected under that tax amnesty had no legal basis. It happens too often. The Chief Minister stands up and then the Minister for Taxation will stand up and announce a Budget measure. Some of it will happen by regulation overnight, some of it will not, some of it may be more complex, but what has happened in the past is that there is slippage and people forget, or they do not get around to it. This is not the way to run a modern, efficient tax system, which I understand is what the Minister for Taxation wants to achieve: a modern, well-oiled tax machine. But it has to be fit for purpose. When we bring legislation to this House, we need to do it in a way that makes sense. There is no point standing up and announcing measures only for the lawyers and the accountants later on to scratch their heads and say, 'Under what legal provision does this actually come under, because there is no law that has been passed?' We need to have that legal certainty and it is our job to do that. I would encourage the Minister to try to convince his colleagues … We are not going to bang any drums and say, 'Ha, ha.' No, if they come with a Finance Bill, we will say, 'It is fine, it is great, no problem.' I think it would be good for Parliament and it would be good for business because the sort of international businesses that we have in Gibraltar are international professionals and this is what they expect to see. They do not expect to see what is frankly an amateur way of doing tax. They expect to see a finance Bill, they expect to see it debated, they expect to see it passed or not passed. It is simple. So, Madam Speaker, let's get our House in order. It is a simple win and it is not a party political point.

Again, talking about Finance Bills, the Chief Minister in his line 448 states that personal tax will return to 25% this year, but if we read lines 669 to 672 of his Budget speech for 2023, last year, the 1% decrease was only for those earning less than £100,000. Is he, then, decreasing the tax rate for those above £100,000 by 2% this year? He may say, 'Well, it is obvious,' but it is not entirely clear from reading the speech. A Finance Bill would provide that clarity. Then, of course, when the Minister for Taxation claims, 'We are the socialist government that looks after the worker,' I have to point out to him that the Chief Minister just gave him a 2% pay rise because it applies to all those earning £100,000, if my reading of last year's Budget is correct. A 2% pay rise for everybody on that side of the House, great. If you own an old car, forget it, you have to pay £520 – until the U-turn, of course.

In the Chief Minister's address, he has missed the opportunity to redress the tax burden. The Minister for Taxation tells us, 'I am all for taxing big business,' but what about the big earners? (**Hon. Chief Minister:** We will.) You will? Well, I am sure the partners in your firm will be delighted, as will the entire legal community. But that opportunity has been missed. What about rebalancing the tax burden for the lowest paid and removing them from tax brackets, changing the tax brackets, and ensuring that not just the big businesses – which is fine, as I say, if you target it correctly – but those who can afford it pay their fair share. Those who can afford it – those who have the Porsches, the expensive cars – let them pay a bit more. This is a sentiment I know the Minister for Tax can identify with, but he seems to be the only one on the Government benches.

Madam Speaker, at the risk of overstaying my welcome – I am coming to the end of my speech – I want to try something different this year, as I said I would. I want to give the House a proposed roadmap. The appointment of a Minister for Tax in this new Government is unusual in that full powers still reside with the Minister for Finance, i.e. the Chief Minister, which means that the Minister for Tax constitutionally requires the permission of the Minister for Finance for any proposed taxing legislation. So, if the Minister for Taxation convinced his Government to produce a Finance Bill he would need the permission of the Chief Minister to introduce it to this House.

It strikes me, and the Minister will forgive me for saying this, that the Hon. Minister for Taxation has been cast – considering the old Disney cartoon – into the unpleasant role of a tax-collecting Sheriff of Nottingham for the benefit of the cash-spending King John, or rather the private-jet-hiring, Porsche-driving Chief Minister. We have a serious problem in the way we are managing our public finances. We are likely to keep on facing budget deficits and we cannot keep on piling up indirect debt as if it does not exist or does not matter. We need to control the costs. Sir Joe is the guy who would come to the House and say, 'We need to control costs,' but we have not heard from him today on that point. The Minister for Taxation said, 'Well, I need to tax in order to meet spending,' but how do you control the spending? How much do you need to tax? How much are you going to spend?

It really is time for an honest conversation between us in this House and with the electorate. I am seriously tired of the financial nonsense that is presented regularly in this place. I know the difference between what is financial reality and what is utter fiction. We have limited resources in Gibraltar and yet we have potentially infinite demands. That is the nature of Government, that is the nature of public finance. You are never going to have enough money to meet every single demand, so you need to decide where your priorities are. How do you want to spend the money? Do you want to spend it on healthcare? Do you want to spend it on education? Do you want to spend it on £1 million cycle lanes? Where are your priorities?

Fudging the numbers is not going to provide solutions. It does not matter who is in government, whether it is us, them, or somebody else. We need to get real. There is no point pretending. Who are we kidding? Who are we fooling? So, let me suggest a roadmap so we can at least start getting our public finances into shape, because we are in a tailspin and we do not have parachutes. We are all in the same plane together.

Given that the Chief Minister stated several times – although he keeps on forgetting this – that he might stand down soon, I offer this practical advice to his successors and indeed any future Minister for Finance. Firstly – and I have a list of 11 points, Madam Speaker – we are not the only ones to face this kind of situation. I would advise the current Minister for Tax, or anybody who is interested, to look at how Bermuda has established a fiscal responsibility panel and ask the same questions that they ask themselves of ourselves. They ask themselves how is an ageing population going to be looked after, given that healthcare costs are constantly increasing? We should be honest and ask of us all: actually, that is a good point, how are we going to do this? Sir Joe has already alluded to saying we need to reduce our dependence on frontier workers. Fine, but then we need to train the workforce and then we need to do … These are long-term plans. These are not things that will happen overnight.

We need to do more and perhaps give more respect to the Principal Auditor's reports and address the failings that he identifies and not ignore them. What is the point of him doing his work if reports such as this one after one debate just lie here gathering dust?

We need a Public Accounts Committee – I have said this practically since day one when I came into this House – and we need the Public Accounts Committee to follow up the Principal Auditor's report to consider value for money and other questions. We need to eliminate waste and abuse, actively. Words are easy but we have to be seen to be actively doing it.

Of course, we need to perhaps consider looking at the Estimates Book and saying, 'Is the Estimates Book fit for purpose? Should we be looking at five years? Should we do a five-year projection, even if it is just an academic exercise to see, given our aspirations, how we are going to fund all this, where we are going to be, how much we are going to need and whether we can afford everything?' It is not difficult.

Then, as I have said already, let's have a Finance Bill so that Parliament can properly debate fiscal measures all at one time and provide certainty to businesses. Businesses should not have to phone up their lawyers and accountants and say, 'What is the situation?' and they say, 'Don't ask the question because you may not like the answer, but my understanding is the Commissioner on Tax will do Y.' There should not be any discretion by the Commissioner of Income Tax or anybody else in our Tax Office; there should be legal certainty. Simple.

Madam Speaker, it is our policy, it is not their policy, but I would encourage the separation of the Finance Ministry from the Chief Minister, and we are already starting to see a semblance of that in the appointment of a Taxation Minister. But being the Minister for Taxation is, as I said before, playing Sheriff of Nottingham to King John: you raise the money, they spend it.

Talking about spending money, we need to start setting an example on how money is spent. We need to consider the question of sustainability. What is the point of telling civil servants, 'You need to work more for less,' and they see Government Ministers or senior civil servants having fun, running amok, hiring private jets? Hey, why not? You have to start setting that example. I am sorry he finds it so amusing.

We need to commit to full transparency, audit and publish the full accounts of all government-owned companies, as they are public interest entities. What the Chief Minister has passed as transparency is utter rubbish. The information is of no practical use to the general public, even to me. I can only make out a few lines of any use, and then when I come to this House and ask him directly, 'What is GEP borrowing from?' he says, 'No, I only have to publish what I am required to by company law'. What kind of transparency is that? He is not a hedge fund manager. They are not running a hedge fund; they are in charge of *public* finances. Look it up, it is not private. That is a fiction they want to maintain, yet don't they understand that all it does is generate suspicion? People say, 'Well, why won't they tell you?'… 'I really don't know – because they just don't feel like it.' Well, fine, let's just abolish Parliament. They have been elected for four years: make one of them an absolute monarch and give him a crown. Isn't that what they want: absolute power? This is a Parliament. They are meant to come here and answer questions, not say, 'You know what, I am not telling you, I do not feel like it.' This is about public finances, public money, and the public are entitled – and if he does not believe it he only had to look out of his window last night to see the public demanding it.

You have to gazette the full audited accounts of the Savings Bank. The Principal Auditor has already made it public. What is the big deal? You can just gazette them. But, no, Sir Joe will not do it. Fine. You have to review his National Economic Plan and look at it for value for money and risk basis. Sir Joe does not seem to have any concept of risk. I ask him, 'These loan notes you have been buying left, right and centre, is there any security?' 'No, we don't need it, they are all government entities,' or 'I am in control, I know exactly what is going on'. And yet we have heard that the Rooke site is going to pot – I do not know whether that is unparliamentary or not, Madam Speaker; I apologise if it is not.

Lastly – and this is becoming an increasing trend of this Government – you have to review the need to rent private office space. Why is the Government obsessed with renting expensive private office space when it has its own property? Yes, it may need refurbishment, it may need repair, but it does not cost the Government recurrent expense in the way renting for 21 years will do. They have office space around town and yet they persist in renting from the private sector. This is a Government that seems to think it has an endless supply of money, or that the taxpayer – the copper-bottom guarantee – will be happy to bail them out, but the taxpayer will only bail them out if the taxpayer sees that they are acting in their interests, not so they can have plush offices.

Madam Speaker, these are really sound public finance principles, regardless of party politics and who is in charge. So, there you go, that is my constructive contribution to the Government. They may take it on board, or not.

In conclusion, what can I say but this Appropriation Bill falls at the very first hurdle? It does not bear up to scrutiny and certainly it will not have our support. We are running out of financial road and the issues as to financial stability have still not been addressed. I fear that the Minister for Taxation may find his money being wasted quicker than he can raise it.

The problem with this Estimates Book and the problem with the whole presentation of this Budget, the much-acclaimed surplus this year and next year is the Government is just failing to be honest with the people of Gibraltar. They have presented what I can only describe as not an honest Budget, a dishonest Budget. It is dishonest in that it pretends there are surpluses when in fact there are deficits, it is dishonest in that it fails to properly budget for costs realistically, and it is dishonest in that it fails to support those that really need it. This is the hallmark of this GSLP Liberal Government in constantly failing on honesty, transparency and accountability, and so there is nothing further I can say other than that I live in hope that one day we will have an honest and realistic Budget presented in this place, rather than the pathetic car crash we witnessed this week.

Thank you, Madam Speaker. *(Banging on desks)*

Adjournment

Chief Minister (Hon. F R Picardo): Madam Speaker, I move that the House should now adjourn to tomorrow morning at 10 a.m. when we shall have the speech of the Hon. the Minister for Health.

Madam Speaker: I now propose the question, which is that this House do now adjourn to tomorrow at 10 a.m.

I now put the question, which is that this House do adjourn to tomorrow morning at 10 a.m. Those in favour? (**Members:** Aye.) Those against? Passed.

This House will now adjourn to tomorrow morning at 10 a.m.

The House adjourned at 8.10 p.m.