

## KA BUDGET 2023 – 11 JULY 2023

### *The Hopeless Fiction*

The Chief Minister already wrote the electioneering headline he wanted for today some weeks ago when he said the Government would announce a projected £2.5M budget surplus for March 2024 and the restoration of financial stability.

As my analysis will show **this projection is built on a hopeless fiction. It does not stand up to scrutiny and is constructed on a simple manipulation of figures and an under-projection of estimates in areas where the Government must know the projections are downright fanciful, unrealistic or lacking in any substance whatsoever.**

It is a fiction because it is a convenient narrative months before a general election – but a fiction nonetheless.

For the Government and the Chief Minister in particular to seek to rewrite its financial record and cast its projections in this way by pretending that things are better than they are is a **disservice to the electorate and a disservice to the need to have a responsible approach to our public finances at this very delicate juncture. That pretence that things are better than they are can only generate natural expectations when the reality is that people should be told how serious things are.** And for what? The perceived short-term electoral gain of the Party in power? But to the detriment of Gibraltar's wider interests.

**We refuse to tell our people electoral fairy tales.**

Anyone seeing the Chief Minister wave the budget book at the Chamber of Commerce dinner a few weeks ago would have been struck by the

backdrop of sheer incredulity or stunned silence in the faces attending that event.

After all there he was having taken the confidential estimates of the Government (which could not be published till today) as a stunt prop for his speech....waving it about to emphasise the financial miracle he was going to announce today.

It was waved about as a starter to what he promised was a feast of financial recovery unparalleled and years ahead of its time. From his “toughest budget ever” (as he described the one last year) to an upbeat pre-electoral message of recovery – And all in a bare 12 months!

What a magician and how lucky to have him steering us to success and wealth. But of course, the reality is somewhat different to that spin.

In fact, the surplus projected for 2024 is built on a deeply massaged set of figures which given the history of unrealistic figures and lack of discipline will likely lead to a year in which they will, once again, not deliver what they promise in many key areas. The surplus will not materialise if this analysis is right without some heavy changes of position or other adjustments or savings throughout the financial year affecting parts of the current estimates.

The picture is not worse still because the people are bailing out the Government with the higher taxes they are now paying. The Government has been unable to tighten its belt and do what it promised. It talks big but doesn't deliver. If it did then taxes could go down and wages could go up more steadily.

But because its spending projections are massaged, unrealistic or where realistic are simply not met through indiscipline or because there is waste or recklessness we continue in this spiral of financial crisis – with a

Government addicted to debt – and in an unbreakable cycle of unrealistic projections masking the real picture.

That is the picture being taken to the election –presenting a false picture of solvency and financial health to the electorate.

But the people will see through such tactics because the realities are all around them.

**They are the ones feeling the pinch – the pressure of the cost of living crisis. They are the ones tightening their belts while the Government loosens its own belt from the obesity of its reckless financial management.**

It is the people who bail out the Government year and after year. The same people who are penalised by tax increases and social insurance hikes. The same people who are told their wages cannot rise and the same people who will see through this Government at the next election and want something different.

### ***Brexit***

Before I turn to that financial analysis in detail and as this is a State of the Nation debate I want to say something about the long-standing BREXIT negotiations and the state of play of them.

Our policy is and continues to be that we would like to see a safe and beneficial agreement concluded with the EU which establishes a new relationship with the European Union.

While we have been critical of the Government in what we consider were negotiating lost opportunities, concessions or failures over the last 7 years since the BREXIT referendum we have also given them significant space to negotiate an agreement in the way that they have chosen. They have chosen to negotiate on their own and that, of course, is their prerogative.

We do think there have been failures along the way and missed opportunities to secure lasting rights for residents of Gibraltar which could already have settled aspects of what we all want.

Today is not the time to get into the detail of all that. But it's clear that as we have drifted along over the last 7 years we have precious little to show of a lasting nature that secures our future. That is a reality.

Additionally, and while there has been much positive music from time to time the opportunity of negotiating something with the present political Government in Spain may be coming to an end. We will see what the result of the Spanish general elections is on 23 July. The main political parties contesting that election have published their manifestos most of which mention Gibraltar in one particular light or another. The result of the Spanish election is a matter for the Spanish people and I won't comment on that process.

Whatever the outcome of that election I would assume that we would agree that the objective of seeking to conclude a safe and beneficial agreement will remain and that a Gibraltar Government should continue to seek the same.

Additionally, and because the result of the Spanish election will be known before our own general elections are held later this year what I will say is that whatever the outcome of the Spanish elections and for the remaining lifetime of this Parliament the Chief Minister knows he can rely on us to make common cause with him against Spain as necessary in the defence of Gibraltar's interests.

We would hope likewise that we could count on him on the fundamentals if there is a subsequent change of Government in Gibraltar.

### ***COVID Fund***

The activity of the COVID Fund dominated a lot of the work in the 2019/21 and 2021/22 budgets. We did remark last year that we were surprised in some respects that the COVID Fund was still being used to supplement departmental expenditure when the worst moments of COVID had,

thankfully, long passed. This year we see those have reduced significantly although some payments were still made during 2022/23 not least £2M to the GHA although the bulk of the remaining activity went to plug “lost” general income. Whether some of that “lost” income is properly due to COVID however is a moot point given the Chief Minister’s acceptance, for example, that a lot of the import duty reduction is directly related to other matters.

In February 2023 Mr Picardo said talking about import duty on tobacco:

“When we had the revenue that we had, there was much more activity. Now we have much less revenue, there is much less activity, there is much less illicit activity, there are many fewer prosecutions. It is a really neat curve... that is borne out and justified by the low levels of revenue, which the hon. Member has seen in the Estimates Book, and with the COVID Fund if we were taking 2019 as the year. If he looks at the years afterwards, there is much less activity in respect of tobacco, licit and illicit.”<sup>1</sup>

He added a couple of questions later in the same meeting of Parliament that this was in part due to the MOUs entered into with Spain on the price of tobacco and other measures introduced by the Government.

That being the case the booking of some of this *loss of revenue* in the COVID Fund in the last financial year was questionable as by the Government’s admission this was not due to COVID at all and any continued use of the Fund for that was similarly doubtful for the same reason. It will give a partially unrealistic figure for the cost of COVID. We welcome that the Government appears not to intend to continue that practice and will not be booking such further expenditure in the COVID Fund.

We also welcome that the COVID Fund would not continue to be used for the most basic reason that thankfully that means we are not in that unprecedented global pandemic situation we were in during 2020 and the time that followed.

---

<sup>1</sup> CM at Hansard 14 Feb 2023, Q221/23.

## ***I&D Fund***

Like they did last year the Government is only intending to make a contribution of £1M to the Improvement and Development Fund. That fund from which projects are delivered will depend on income on continuing sales of land to continue to fund its activity.

But there are some projects there that could affect the overall financial picture in relation to that Fund. For example, a notional sum has been provided for the awaited urban waste water project which is likely to cost tens of millions.

It is striking that there is still 265k provided in the I&D Fund for the never-ending completion of the Island Games facilities which were held 4 years ago in 2019. Over 560K was spent last year on this.

The so-called “digital transformation” saw an extra £3.35M spent last year and further 850K allocated for this year and the Sustainable Transport Plan within which we assume lies the cycle lane cost will incur a spend of £1.2M this year after spending over 475K last year.

## ***The State of Public Finances & the Projected Surplus for 2024***

I turn to the analysis of the state of public finances, the revenue and expenditure and the budget measures.

I start with the headline grabbing notion that the Government is projecting a small surplus of £2.5M for the end of March 2024.

At best what could be said is that this is an entirely superficial presentation – that it is not much more than putting a sticky plaster on a deep festering wound to keep it out of sight. Because in reality when you look under the sticky plaster (which to the outside world indicates repair) – in fact there are the same systemic problems there were 12 months ago unaddressed

because either the Government does not have the courage to address them or the ideas to do so.

It is as I have described it already a **wholly unreal projection built on hopeless fiction.**

And that can clearly be seen by looking at this year's numbers and comparing them to last year's projections and expenditure. Indeed it is important to do so because that and what went on before provides the context to understand the current narrative.

**Once we delve into what has happened we can see clearly that this present story of financial recovery could have been scripted by George Orwell.**

For the financial year 2021/22 the Government predicted a deficit of 50M – of £1M per week. In other words they predicted that the public sector would cost £1M per week more than it would generate in revenue. That was like losing over £136,000 per day - £6000 per hour.

That calculation of daily loss was based on the fact that they were going to borrow £50M pounds to prop up public finances. Sir Joe Bossano had then described it candidly as the worst deficit ever. But undaunted by that grim reality an out of control Government could not even keep to that budget in 2021/22.

Instead of borrowing £50M it had to borrow £100M just to keep afloat – to pay wages and other recurrent expenditure. There was a total overspend of £91 Million of which £35M was overspent by departments alone in 2021/22.

In the estimate for 2021/22 the Government promised it would spend [and it was authorised to spend] £768M. In fact, the actual expenditure for

2021/22 was £859M. A figure of around £91M above the estimated budget.

Some of that was additional contributions to lost revenue but a big chunk of that was simple departmental overspend – namely £35 Million of that total.

And if this was the worst deficit year – in the worst financial year ever there should have been the strictest adherence to the approved budget ever. Instead there was overspend.

So in the year of the worst financial deficit ever Mr Picardo's Government could not keep to their budget.

**What was the recipe last year to get out of the crisis? Simple.**

**Tax people more. Pass the bill on for the people to pick up.** Get the people to bail the Government out of their mistakes – their years of directionless financial management; years of borrowing and racking up of debt; years of playing poker with the people's money.

So after the need to borrow £50M more than expected just to keep afloat in 2021/22 and the overspend by departments you would have thought that the lesson would have been learned and that they would keep to their budget this year.

Wrong.

The departmental overspend is still there – but bigger.

The sleight of hand and massaging of the figures in the presentation of the rosy narrative today cannot hide that reality or the ever-increasing catalogue of financial promises Mr Picardo does not keep.



In 2021/22 the forecast total Consolidated Fund Expenditure was £768M. In fact as stated they spent much more at £859M. When the Government came to this House in June 2022 to present the budget for this last financial year (2022/23) they promised to spend £136M less than they had done previous year. We warned that those projections were unrealistic given the previous results with some stunning examples in certain departments.

But in overall terms the Government promised to spend £723M in 2022/23 as Consolidated Fund Expenditure. In other words, £45M less than their promise for 2021/22 which had been £768M – **which they hadn't kept to anyway.**

**Like they did in 2021/22 the Government failed to keep to their promises for 2022/23 and in fact spent £791M instead of the £723M they promised to spend.**

**In other words, £68M more.**

**The departmental over-expenditure alone this last year was in the region of £55M.**

### ***Inability to Stick to Budget or Unrealistic Figures?***

So having had a departmental overspend in 2021/22 of £35M no lesson was learned and there was an even bigger departmental overspend in 2022/23 of now £55M.

**This worsened position was indicative of an inability to keep to their budget and/or that the figures presented last year were hopelessly unrealistic.**

Either way the citizen has little comfort. If the figures were realistic last year and the year before that then what you have is a Government that is unable to keep to its own budget. These aren't our figures. They are theirs.

What confidence can you have in Mr Picardo if his Government cannot stick to its promises on handling your money. How can you trust such a

Government on public finances? You would have thought that the figures in the budget book would be realistic. That would be the least you should expect from your Government.

If on the other hand the figures were not realistic this would reveal a much wider and dangerous malaise that is symptomatic of a Government that is unwilling to be transparent with its citizens, that is opaque with its finances and deliberately masks the true financial picture from the voter.

**I regret to say that I think it is the latter. I simply cannot believe that some of the figures presented last year were realistic. They were obviously not so.**

### ***Lack of Realism***

For example the projected £128M expenditure for GHA in 2022/23 looked extremely unrealistic as it was over £40 Million less than it had actually spent in 2021/2.

Last year I warned:

**“Are these figures realistic? Will they keep to the budget this time? And will they do so in a way that the public service is not impaired. That is what the user expects.”**

And indeed the GHA could not keep to their budget of £128M and spent £155M this year.

Equally this year we are being treated to the same unrealistic figures.

So beyond the eye-catching miracle headline of the £2.5M surplus in fact there are very clear reasons for the projection and pretence of the restoration of so-called “financial stability” and none point to any Government inspired brilliance.

### ***(1) Unrealistic Figures***

First the prospect of the small surplus for 2024 has only been possible by a patent set of unrealistic figures in the health and care sectors particularly.

If unrealistic figures had not been presented in the health and care sectors then the projection could only have been one of a further deficit.

How is it realistic that having spent £155M last year the GHA will now spend £129M – in other words – will spend £26M less or 17% less than last year.

How is it realistic that the Care Agency that spent more than £27M last year is now going to spend £19.8M – more than £7M less.

It must be clear those numbers are unattainable and without them the projection would only be for another deficit. And those unrealistic numbers are not the only ones in this budget.

Go and tell health service workers and nurses, physios and patients, doctors and paramedics that this year the magical £2.5M surplus is built on the fact that:

- the costs of Visiting Consultants are supposed to be 700K less than last year;
- the drugs and pharmaceuticals budget is being cut £2M from what was spent last year;
- that the Government wants to spend £2M less on prescriptions
- that the Government hopes to spend £3M less on sponsored patients
- that they want to spend £1M less in medical and surgical appliances
- that the budget for office equipment in the GHA has been slashed by 85% from what they spent last year
- that the Care Agency is supposed to spend £1M less on home support (supported living in the community)

Those health service or care workers already suffering from low morale would likely laugh in your face.

Go and tell teachers that this year the magical £2.5M surplus is built on the fact that the Government has provided only £1,000 for *Temporary Cover* for teachers.<sup>2</sup> This is a provision that they know 100% they will not keep to because the Government knows they will have to spend monies on cover for teachers.

They know they spent £1.6M on this in 2018/19; they spent £3.99M in 2019/2021; they spent £3.15M in 2021/22 and they spent £1.9M in 2022/23. In other words, it is a complete fiction to pretend that they will spend £1000 on this item.

So what happens if some or a combination of those items happens.

### **Bang goes the surplus.**

If the GHA spends the same amount of money as they did last year on sponsored patients. Bang goes the surplus.

And bear in mind that we already know that because they provided only £1000 for temporary cover in education there is a certainty that at least £1.5-2M will be spent on that.

### **Very little needs to happen beyond that to swallow up the entire projected surplus.**

### **Digging a bit deeper on the GHA examples shows how farcical these numbers are.**

In 2018/19 the GHA spent £11.4M in relation to *Sponsored Patients*. In the double year 2019/21 they spent £33.65M (in other words an average of £16.8M for each of those years). In 2021/22 they spent £14.75M on Sponsored Patients and last year (2022/23) they spent £13.72M. How then

---

<sup>2</sup> Head 16 – Item 1(1)(d)(iv).

is it serious to project that Sponsored Patients will cost less than it did in 2018? The sum projected is £10M. That is the same sum they projected last year. and we told them that was unrealistic. And they ended up spending £13.72M – so how is £10M realistic this year?

The same goes for **GPMS Prescriptions**. These cost the GHA £11.9M in 2018/19; £25M in the double year 2019/21 (so around £12.5M a year); £12M in 2021/22 and £11M in 2022/23 (last year). So how is it realistic that these will now cost £9M in 2023/24.

Just those few examples show how fragile the foundations of this £2.5M surplus are and how easily those foundations will crumble as soon as there is a need to deal with the realistic needs of the health and care or education service. Things that are inevitable.

This is not an infrastructure project that the Government can decide not to do or postpone and save millions.

These are essential services where the figures provided in the budget are either unrealistic or totally impossible to meet.

And let's be clear. I am not criticising the provision of funding for health and care or teaching when further funding through the year is necessary. If it is necessary of course it should be provided.

What I am saying is that the figures set out in the budget are **unrealistic from day one** because the services will cost more and this is likely from the figures and the Government must know that.

And if it doesn't know that then it has not heeded the warnings we gave last year which have turned out to be true.

**By following the same tactic of under-providing through a set of unrealistic figures it knows cannot be delivered it produces a false picture of the financial bottom line.**

In other words the small projected surplus is totally unrealistic too. It is a work of fiction to suppose that on these unrealistic projections it will materialise unless other numbers change and they make big savings elsewhere.

And we know that making big savings just isn't their track record.

Additionally and at its most basic the Government would have you believe that it will spend less in overall terms than last year.

Basically that it will spend £68M less than last year. That is the way they will produce their projected budget surplus. Given their track record that is impossible to believe.

## ***(2) The People Bailing Out the Government***

Secondly the projection is not only suspect because of the lack of realism of some basic projections but it is premised not on some great incisive financial work of the Government but rather largely on the cash bailout that the people have given the Government by way of increased tax.

Indeed, had it not been for the much higher yield in tax revenues last year in both personal income tax and corporate tax the Government could also not have projected this surplus for 2024. That is presumably partly due to the 2% increase in income tax and raises in corporate tax as well as other factors. My colleague, the Shadow Finance Minister, Mr Clinton will have more to say about that.

And what happens next year because the increase in tax was said to be for a temporary two-year period only? And now will only be partially for two

years because of the announced cut today? How does that affect the prospect of stability going forward? If there is a reduction of tax as promised then presumably the tax revenue will reduce affecting therefore the bottom-line beyond 2023/24.

We cannot see how on current critical assessments of the Government's public finances and figures that would not plunge us into a bigger deficit because the current Government is clearly unable to keep to its forecast budgets.

So without the projection of unrealistic figures or the increased monies by way of tax that workers and businesses have given the Government any pretence of a possible surplus in 2023/24 (projected in the way the Government have) would be impossible.

Any so-called recovery is not due to sophisticated planning or diversification by the Government. It has been enabled by the blunt instrument of raw taxation and taking more money from people to fund the continuing excesses of Government.

Again to put it into context after massive overspending and a big deficit in 2021/22 and not having learned that lesson the Government again did not keep to its own budget in 2022/23.

You would have thought that after having to ask people for a handout of more money from the hard-earned wages of workers by way of higher tax that it would have led by example with great discipline and demonstrated it could keep to its budget.

You would have thought that this was the necessary *quid pro quo* of having to ask people for more money – that the Government wouldn't then have the cheek not to keep to the budget it presented.

But of course, maybe it can't keep to its budget because the figures are unrealistic and its numbers can't be believed.

Is it that narrative – that the figures are unrealistic?

Or is it the other narrative fed to us by Mr Picardo – that savings are possible but they haven't yet been prepared to make them. Because this morning he made a stark admission when he said he wanted to fund the lump sum payments out of the cash surplus and savings that he had directed Ministers to make. That's going to cost £6.5M on their own figures. So, there are savings to be made? But they haven't been prepared to make them before?

Or is it that the story changes constantly and he just can't keep up with his own story.

To compound things in such a year of deficit and overspend and when discipline should have been there – in a stunning example there was an overspend in the budget for travel costs and expenses of Ministers of about 89% but less money than forecast spent on children's services. The priorities are just wrong.

And the absolute dearth of ideas and direction in how to manage a recovery was demonstrated last year by the announcement of the imposition of a so-called *COVID business recovery* tax of £1250 on all companies that was rapidly ditched in the quickest U-turn in history the day after. **It spoke to the mess of financial planning, the desperation of the thinking, the mindless endangerment of the financial services industry and the recklessness of the approach of Government.**

### ***Borrowing Projection?***

The Government are not projecting to borrow to underwrite recurrent expenditure this year. This would be welcome news if it is borne out.



But even here we must remain sceptical because in the last two financial years they have been unable to keep to their financial promises on borrowing. In 2021/22 they promised to borrow £50M but instead were forced to borrow £100M to fund recurrent expenditure.

Last year they said they would borrow £50M but in fact had to borrow £75M.

Let's see if they can keep to their borrowing promise this year having failed over the last couple of years.

### ***Financial Stability?***

When making his excited announcement of the incredible projected budget surplus for 2024 Mr Picardo said this would in effect restore financial stability.

Of course, being financially stable and having financial stability means much more than just being in surplus. It is about the long-term financial health of the community or whether Government finances are being handled sustainably.

It is about whether we are on the financial cliff-edge or whether we have systemic long-term problems with our public finances. As the saying goes *two swallows don't make a summer*. And here just because there is a projection of a surplus built on unrealistic figures and with people's hard-earned tax monies it does not mean that Gibraltar is in a stable place.

**To get to financial stability will need much more work which will start with a change of Government because the present administration is uncommitted to doing what needs to be done to establish proper financial stability, transparency and accountability.**

**Integral to that is the basic notion that in exchange for the people entrusting you with their hard-earned money the Government should tell the people what it does with the people's monies. Instead Mr Picardo presides over the most secretive administration in Gibraltar's history.**

## ***The Jungle of Companies***

So for example it is impossible to judge our true financial health or stability because of the opaqueness of public finances. We now have hundreds of millions of pounds (almost £1B – One Billion) parked in off-book transactions through a series of entities. We do not know how much of that money has been spent or remains.

The structures underpinning that intransparency have gone beyond a simple web of companies transforming itself into what Sir Joe Bossano has described as a “jungle” of opacity. **A GSLP jungle where they’ve stashed the people’s money away. That jungle needs to be pulled down.**

That jungle has just got worse in the last 12 months with hundreds of millions being planned to be deployed in projects at Coaling Island or Laguna Estate or at Eastern Beach through the Community Supplies & Services Limited structure (CSSL). A structure where the Government seemingly is the financial hand and the organising brain while at the same time disowning it by saying it is a charity with independent thinking. The fact that civil servants working to Ministers sign planning proposals or seem to direct decisions is a massive contradiction to this factual farce.

## ***The debt issue***

Financial Stability is also influenced by your financial leeway as a Government and your debt. That impacts on everything the Government can do and how much the people are taxed.

The reality is we already had gross direct and indirect debt of 1.3B before COVID arrived on the scene. And he knows that when we supported the emergency COVID budget in March 2020 we expressly reserved our position on the issue of the historic debt and whether it had been responsible to be so much in debt at that point.

The fact that we were already £1.3B in debt before COVID was due to one of the biggest breaches of promise by Mr Picardo which in this election year is worth remembering.

In 2011 in his *New Dawn* promise he solemnly declared to people in his manifesto that he would halve the then existing gross debt of £480M. He was unequivocal in an accompanying video that it was *that spiral of debt that could lead us to ruin*.

In 2012 in his first budget speech as Chief Minister Mr Picardo added:

“...in Opposition, we raised issues about the creeping growth of our nation’s gross debt and why we have a clear commitment to deal with gross debt and net debt levels, as we set out in our manifesto....

...That is why, Mr Speaker, our manifesto **specifically provided, in clear and unambiguous terms, our approach to the reduction of national debt**. Our manifesto provides on page 27 that in respect of gross debt: **‘Our commitment is that Gibraltar’s public debt will be brought down by half of its current level, whatever the current level is after the election, so that by the time of the next election in 2015 there will have been a 50% reduction. Gibraltar’s gross debt is presently stated to be at £480,000,000.00 (almost half a billion pounds).’**

By 2015 they were going to halve the debt!

Of course, this was a promise shattered and buried. Instead of halving it because that *“spiral of debt...would lead us to ruin”* he has proceeded to almost quadruple it to an atmospheric £1.9B.

What happened to his concern that the spiral of debt would lead us to ruin? He converted it into an ever-increasing downward faster spiral.

His is the Government of financial records – it is true. Record Debt. Record Deficits and Record breaches of promise to the people of Gibraltar.

The problem is that that debt does haunt us; deprives us of financial leeway and hampers our emergence in a post COVID period. It means our people

have to pay more and do so as well because of the inability of the Government to keep to its budgets and its promises.

And his rather contorted explanation this morning about the debt ceiling and the new formula on the calculation of debt and how he has the headroom to get to £1.095B in debt was feeble. Has he not realised that when you count the indirect debt he – to use his own terminology – ***bust through*** the debt ceiling a long time ago...well before COVID and not just by a few million but by HUNDREDS OF MILLIONS

### ***The Plan? Tax etc***

The stable management of our public finances should be a vehicle to deal with social and economic policy. But if public finances are in disarray then social objectives aren't dealt with, our economy isn't properly repositioned and people continue to suffer in a cost of living crisis because of Government inefficiencies.

People have been penalised significantly because of the handling of public finances over the last few years. Having brought Gibraltar to the financial precipice, shackled our people to a legacy of debt, spent hundreds of millions of the people's money, hidden hundreds of millions in a financial jungle and presiding over an administration mired in inefficiency without a clue to get out of their own financial mess the only resort left has been to ask the people for a bailout by taxing them more.

This is happening when we have the worst cost of living crisis in decades and when home-owners are facing the pressure of higher mortgages. But because the Government has no financial leeway, because it is up to its neck in debt it has no other real plan.

In 2021 the Government massively increased social insurance which hurt businesses trying to recover from the effects of loss of business after COVID. The Social insurance price hikes in 2021 were penal. They hit

business and eroded wages so that there were employees worse off even after receiving a wage rise. That's how profound they were in effect.

But those increases were against a backdrop of much lower inflation and even then there were concerns on jobs, wages and business viability. It is worth recalling that the Social insurance increases in 2021 were from 20-107% and that Voluntary contributions were increased by 142%.

When the Chamber condemned the social insurance increases in 2021 which were done without consultation they noted:

“... the precarious state of the Government's finances in the wake of not only the Covid Pandemic **but also years of rampant recurrent and capital expenditure..**”

The Government also increased electricity charges in 2021 – 20% for commercial electricity and 16% for home consumers. In 2022 there were further increases of 8% in electricity and water charges. Over the last two years 24% increase in electricity.

Additionally there was an increase of income tax by 2%.

In the run-up to last year's budget the Chief Minister had drip-fed into the public domain that it would be his toughest budget ever. He is developing a habit of wanting to prepare the ground for his speech. This year – as it's election year – that story would not do. And the story had to be about recovery – however fantastical the story.

### ***Tightening Belts? But not the Government***

A family on average income in 2022 after 2% income tax, a 24% increase in electricity; higher social insurance; big rises in interest rates that will have had an effect on monthly mortgages if they are home-owners; high

inflation especially hitting supermarket prices and static wages or wages that cannot keep up with inflation knows that they have less money in their pocket.

They also know that they must tighten their belts.

They know that to live like before and to spend more than you earn is a recipe to disaster. Everybody knows that.

Everybody except apparently for this political Government that somehow lives year after year in the same cycle of spend as you please, not keeping to their budget and expecting people to bail them out year after year.

This is a Government that does not learn from its mistakes.

And why it is appalling for the Government to overspend in its own budget. This just pressurises ordinary families, workers and small business. In financial year 2021/22 - the worst financial deficit ever Mr Picardo's Government could not keep to their budget.

Last year in financial year 2022/23 again it did not do so.

People will be unable to understand how the Government cannot do what ordinary families are doing all the time. They will be dismayed that they have to endure higher taxes or lower wages because of the Government's inability to keep to its own budget.

People are tired of a decade of borrowing without restraint;

a decade of breached promises on debt;

a decade of spending without discipline;

a decade of not controlling public sector contracts;

a decade of not controlling waste and abuse;

a decade where systematically the people's money has been spent without restraint and without transparency.

People are tired of working hard to bail out this Government's mistakes. Why should this carry on any longer? Soon they will have a chance to tell them enough is enough and show them the door.

### ***Conclusion on Appropriation Bill***

So for all those reasons and those that will be set out by my colleagues we cannot support this unrealistic appropriation bill built on continuing opaqueness and an approach to public finances that we simply do not share and would want to radically change.

### ***Budget Measures Commentary & Reaction***

Given the context and the fact that we just do not buy the rosy pre-electoral headline we continue to consider that the Public finances are in a deeply delicate state and there is no point pretending otherwise. It would be an important objective of a GSD Government to overhaul the management of our public finances, tell our people the full picture and ensure through our policies that we are firmly restored on the road to financial recovery.

We have no faith in this Government doing so when they often do the opposite of what they say.

Budget measures constructed in this public finances climate need to not only take account of the real state of our finances but on the macro-political context and the continued uncertainty that our economy is facing when we still do not know if will be possible to conclude a safe and beneficial agreement with the EU.

The priorities need to be to help the vulnerable, families in need, the lower paid and the elderly.

Equally we need to ensure that business remain competitive and are not shackled by unnecessary bureaucracy and can be the engines of recovery that would provide an all-important boost to productivity.

New markets need to be considered and further diversification into existing markets.

Narrow and short-term thinking that led to last year's so-called COVID business tax on companies need to be discarded

It has to be to plan for real financial stability, for tax reductions and better debt management in the knowledge of all taxpayers' monies that the Government (and entities) are handling and that the recurrent expenditure is being managed in a sustainable and disciplined way without the risk of borrowing to cover recurrent expenditure. We do not have that financial stability yet

I turn to the Budget measures announced

We welcome adjustments and increases to assist those on low incomes, on benefit and pensioners. That includes increases in disability benefit or the minimum wage or the state pension and occupational pensions

We welcome also assistance to students through higher maintenance grants as well as increases in the sponsored patient allowances

Not increasing electricity charges again this year will be good for households although, of course, it comes after increases of 24% in the last 2 years.

The increase to the entry level salary in the public sector is supported as it helps those on low incomes specifically and the opening of AA recruitment is long overdue as there are many vacancies in many departments given the various statistics provided to us in Parliament



We are the Party of tax cuts. And we will take no lessons on that from the GSLP. After all when we were elected in 1996 income tax was at 49% and we slowly brought it down to an effective rate of tax of 25%. We returned thousands of pounds to working families because it is their hard-earned money and philosophically people should retain as much of their earnings from hard work as possible and the State should manage taxpayers monies better.

Equally and despite GSLP promises in previous manifestos to lower tax in their 12 years they have not done so and raised it by 2% last year.

While we have always favoured a policy of returning money to people via tax cuts the issue is whether the 1% cut is affordable now given the inability of the current Government to properly manage public monies for the reasons we have given and that my colleagues will set out. And fundamentally whether the cut is affordable on the numbers of the Government's own estimates.

The reductions in penalty charges on filling vacancies and costs in registering employees are welcome. But beyond that (and any restored business nurturing scheme) the business sector will feel there is absolutely nothing to help businesses in this pre-election budget.

The Budget measures will be equally disappointing to the Union's aspirations for public sector wage increases after no increases for the last 4 years and to public sector workers.

Instead what there has been is nothing more than a naked attempt to sweeten the pill with an attempt to buy votes weeks ahead of an election at a cost of £6.5M. *These are in effect pre-election handouts*

We agree that those on lower incomes in the public sector should be helped but this doesn't provide them with pensionable increases to salaries at the lower end for those on low income. What they get is a one-off payment.

And the nakedness of the raw politics of it comes in the fact that all public sector workers up to an income of £100,000 are getting this. That is more about votes than helping people on low income. If they really had the spare cash (which we doubt) such help should have been more targeted to those on average incomes and thresholds below 50k by giving more assistance to those people only.

Handouts to persons on higher income – which is what this measure partly represents will be inexplicable to the thousands of workers in the private sector with incomes below 50k who will baulk at the prospect of their taxpayer monies going to pay election handouts to people with income more than double theirs.

So let's be clear a family with income of 30k or 40k in the private sector is contributing their hard-earned monies to the gimmick of an *election handout* to a person earning £95,000 in the public sector or to a household where there may be two senior civil servants earning a joint income in excess of £180,000. Neither the private sector or the low paid public sector worker will welcome such a measure.

The same old GSLP with the same old politics of handouts seeking votes. Like they used to do before the 1996 election to pensioners

The effect of all this is also that he has in effect eliminated the already unrealistic cash surplus.

If it was built on a fiction before he just burned the house down.

It also, in effect, breaches the golden rule he was waxing lyrical about. Because funding the election time lump sum payments and the tax reduction will likely force him to borrow money. what he said he would not do earlier in his speech – to make sure you do not borrow to pay wages or fund recurrent expenditure

And I say that using his own numbers. No spin. He projects a budget surplus on numbers that we say are unreal.

But let's be clear – even if he was right – which we say he isn't – his leeway (if he is to be believed) is £2.5M

The election handouts are going to cost the taxpayer £6.5M.

And last year they said in Parliament that the 2% increase in income tax was going to generate £17M. So let's say there is therefore a reduction in tax take of a few millions

Bang went the surplus

And you don't even need to rely on the rest of my analysis which shows that the surplus didn't stack up anyway

This combination of measures together with the analysis I have made about the under-estimates in health, care and education show what a shameless political exercise this is

And how irresponsible it is

From someone desperate to hang on for power

So desperate he doesn't know what else to do. So he resorts to the politics of handouts in a fragile state of public finances

He pretends to say he is responsible and then flushes the surplus away. Well, it was fictitious anyway.....

Re-elect me; just one more time.....a Chief Minister running out of ideas; immersed in so much spin that he is like a spinning top; taken in by the emotion of the desperation to survive politically so much that it is driving him to exasperation; so much that when I watched his performance (because that is what it was – a performance); part bombastic; part bravado; part fake outrage and part emotion it brought to mind that quote from TS Eliot:

“This is the way the world ends

This is the way the world ends  
This is the way the world ends  
Not with a bang but a whimper.”

He’s right that they were described as being unfit to govern

But I thought that was by the *Panorama* newspaper

Or have we forgotten that headline:

“God help Gibraltar if this GSLP lot are ever elected to Government”  
screamed the *Panorama* newspaper at the top of its voice

A case of friendly fire perhaps.....

But maybe this *Socialist* Chief Minister who knows such lingo as “*el mundo yuppie*” stopped reading *Panorama* a long time ago.

*El mundo yuppie de Picardo*. He really has been going to Madrid far too often.....

The problem with that phrase is that it can also be applied to him

Because in his *mundo yuppie* we had the biggest crisis ever last June & the ***toughest budget ever*** only for him to have ***miraculously restored financial stability*** in his *mundo yuppie* a few months later so he can splash the cash; glad-hand lots of people in pre-electoral stunts and be supported one more time.

One more margherita....

I have nothing equivalently snappy to respond to his *mundo yuppie*; except *dejame de rollo*

This is not a renaissance budget; or a budget for a young people. What specifically is there for young people other than the student grants.

He says this is not the Government of the privileged few as if that was enough for anyone in Gibraltar who believes that this is what precisely they are

He says his Government has saved Gibraltar

That the GSLP has saved Gibraltar

That he remembers the Gibraltar of 2011.

And reminisces with romantic nostalgia for the GSLP of the past as he looks at his predecessor with teary eyes

I remember the past too

The Gibraltar of 1996

Of the culture of fear

Of the fast launches

Of the jobs and contracts for the boys

Of the secretive companies

Of the riots

Of the absence of opportunity for young people

Of the dead-end jobs

Of the Gibraltar of the GSLP – where you were with them or against them

Of the sheer desperation that people had; with no future

Sounds familiar?

Because those themes have come back

Except the web of companies is now a jungle

And the debt makes the Joe Bossano of 1996 look like a Saint

And like *Back to the Future* we have seen a return of the politics of you're either with me or against me

Mr Picardo has the gall to talk about the GSLP saving Gibraltar

Well, maybe people say soon – if that's the way you're saving us – no thanks – we prefer not to be saved by you

It's clear from his repeated attempts to misdescribe it that way that Mr Picardo started his re-election campaign today trying to present the GSD as one of austerity and cuts. We are not the Party of austerity and cuts. We are the Party of realism and responsibility.

Of course, as he would not recognise responsibility if it walked in through the door it's easy to understand that he would regard that foregoing presence as something else.

What we insist on is responsibility and discipline and to tell it how it is. We will see what people tired of his broken promises, spin, the crisis of truth and governance will make of his approach soon enough

### ***The Future?***

So what of the future? The inability to deal properly with public finances only reveals part of the picture which shows how people are being left behind and how the Government is unwilling or unable to face the rampant need for reform.

We have a creaking housing infrastructure in which not enough houses are allocated on a monthly basis to cope with the demand of people put on the various housing lists. Endemic housing problems will never be dealt with radically that way.

In parallel the delivery of the affordable housing schemes has been pitiful. Years behind schedule the Government isn't going to finish delivering houses it promised in 2015 till 2027 – 12 years later. By then young families who had been excited at the prospect of a new home to bring up their

children will find that they are getting their home when they have outgrown it or when their children are about to go to university in some cases.

For those waiting for the delivery of the houses or who languish for years on the housing lists the experience of interface with a Government that doesn't listen is frustrating.

And the people who live in disgraceful slum-like conditions or with medical problems classified as "urgent" by the Government itself wait patiently without their medical or social conditions being adequately prioritised.

Despite the vast sums spent on health the complaints are legion and the morale of the staff is at a low point.

There are failures on special needs and social services.

The lack of delivery of opportunities to many youngsters who do not wish to or can take an academic route to a career is striking. There have been promises from this Government for too long on the issue of vocational trades and technical skills for them to retain any credibility

There is no real commitment to transparency. The reverse is true. They prefer the opaqueness of the jungle and revel in it.

The commitment to parliamentary reform or to changing the way we are governed is window dressing with a set of Parliamentary Committees that have never ever met in years.

The Anti-Corruption Authority Act commitment is electorally driven box-ticking of no real change with a law that is toothless and has not even been commenced and only passed on the eve of this election because it would have been far too embarrassing to seek re-election when this had been promised since 2011 and not done. In practice any new government committed to making real changes will need to overhaul this.

Overall this is a tired Government. It's been 12 years and that reforming zeal of 2011 has gone; many of those promises were breached and the personalities are looking jaded after more than a decade in power.

Gibraltar will not see the reforms that it wants and needs until there is an end to this administration that now stands in the way of solutions and reforms. They have become part of the problem. And they must go.