



**HM GOVERNMENT OF GIBRALTAR  
PRESS OFFICE  
No.6 Convent Place  
Gibraltar  
Tel:20070071; Fax: 20043057**

**PRESS RELEASE**

No: 478/2013

Date: 2<sup>nd</sup> July 2013

**GSD Ashamed of the Truth of GSD Govt Finances**

- "Useable cash reserve" is only relevant measure
- "Overall cash reserve" includes the monies borrowed by Govt
- Picardo's unimpeachable evidence not even dented by Feetham's misleading response
- GSD candidate already starting to insult the Chief Minister

It is clear from the GSD's latest press statements that Mr Feetham continues to show that he is unable to understand how the public finances work. He is clearly unable to make a distinction between 'overall cash reserves' and 'usable cash reserves'

"Overall cash reserves" - the sums the GSD and Mr Feetham want the public to look at - includes sums borrowed by the Government in excess of the maximum permitted level of Net Debt.

"Useable cash reserves" are the cash reserves that are available to the Government to draw upon without breaching the statutory limit of Net Public Debt.

Clearly it is only "useable cash reserves" that matter when looking at Government's ability to pay liabilities as and when they fall due.

By trying to refer to "overall cash reserves" Mr Feetham and his GSD are doing nothing more than trying to confuse the issue in order draw attention away from the way in which they mishandled the public finances of Gibraltar during their time in office and the insecurity that this gave rise to in many of our people.

Mr Feetham says that Mr Picardo has not wanted to reveal this figure. Infact, the figure is actually set out in the "doomsday memos" from the Financial Secretary which the Chief

Minister has published; and they do not change the reality of the low amounts of useable cash that the GSD left behind when they were removed from office by the electorate.

In fact, as already explained, in December 2011, when the GSLP/Liberals took over, the Government's annual expenditure budget was at over £450 million but the usable Cash Reserve of just £16 million (or 3.5% of the budget) was a matter of grave concern. The problem was fixed by the GSLP/Liberals stopping of work on many capital projects, as these were clearly unaffordable at the time.

Mr Feetham says that by using the cash position as at early December 2011 as a snapshot of the financial position, this is a distortion of the position and that post December 2011 receipts would have reflected a windfall in receipts.

Nothing could be further from the truth.

The fact is that the 'usable cash reserves' actually deteriorated further during the following 3 months to end the financial year at just £2.8 million.

The snapshot of the GSD's legacy at the end of the financial year is therefore worse than in December!

This was indeed a serious problem where the new Government found itself with little or no cash-in-hand to continue the day-to day business of Government, let alone fund many of the on-going capital projects. A serious problem of £100 million having been spent through wholly-owned Government companies, before these companies had received the necessary funds to cover such expenditure. A serious problem of the uncontrolled level of capital expenditure incurred by the previous administration in the year leading to the General Election.

The GSLP/Liberal Government has now regularised the position. Useable cash reserves have been restored to more prudent levels, both Gross Public Debt and Net Public Debt are under control and the Public Finances are now well enough to enable the Government to move, full steam ahead, with the implementation of its manifesto commitments and to target spending where it matters for our community.

### **Departmental Expenditure Brought Back Under Control**

As far as departmental expenditure is concerned, this has actually been brought back under control by the GSLP/Liberal Government.

The forecast Departmental expenditure out-turn for 2012/13 is in line with the Government's Original Estimate.

Conversely, there has been consistent over-expenditure in every year of the previous GSD Government's term of office.

In the GSD financial year 2007/08, Departmental Expenditure incurred was £7.9 million more than the Original Estimate.

In the GSD financial year 2008/2009 Departmental Expenditure incurred was £2.7 million more than the Original Estimate.

In the GSD financial year 2009/10 Departmental Expenditure incurred was £2 million more than the Original Estimate.

In the GSD financial year 2010/11 Departmental Expenditure incurred was over £6 million more than the Original Estimate.

In the GSD financial year 2011/12 (when the GSLP/Liberals took over with 3 months left to run of the financial year) Departmental Expenditure incurred was over £16 million more than the Original Estimate.

Expenditure levels have, however, now been restored to affordable levels.

Growth in Departmental Expenditure for the year 2013/2014 is expected to be around 5% over the previous year's figure, which is significantly less than the growth in our economy.

Despite this increase in recurrent expenditure, the Government has achieved a record budget surplus for the year of over £37 million.

The GSD's attempt to mislead has now been completely exposed.

Chief Minister, Fabian Picardo, said: "I cannot believe how Mr Feetham and his GSD have attempted to deceive the electorate in so amateurish a manner. The truth of cash reserves and useable cash reserves is set out in the "doomsday memos" I received from the Financial Secretary – which explains that the relevant issue was that there was not enough money to end the financial year without more borrowing. The GSD "excuses" machine is now spinning out of control. The GSD candidate at the by-election appears to have been so duped by Mr Feetham on this issue that she has descended to calling me a liar on her website – which evidences that she is unfortunately nothing "fresh" or "new" but clearly just one more GSD politician who can only support arguments with insults, exactly what we don't need more of in Parliament on the Opposition benches. The fact of the matter is that anyone who wants to know the truth about our public finances just needs to look at the Financial Secretary's memos that I have published (on [www.gibraltar.gov.gi](http://www.gibraltar.gov.gi)) and they can see the reality of who is lying or misleading the electorate."