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GSD Public Finances Failures

In their latest response on the state of the public finances, the GSD seem to have finally accepted the fact that they left the incoming GSLP/Liberal Government with just £20 million of usable cash reserves.

They have also finally accepted that the remaining £245 million of cash reserves were not available for use by the Government without breaching the statutory net public debt limit prescribed under the Borrowing Powers Act.

The Government's cash position did not improve in the following weeks and months, as is being suggested by the GSD in their response.

There were no net increases in revenues received by the Government at the end of December 2011 nor were there any such increases in revenue in early 2012!

The usable cash reserves actually continued to fall during the next three to four months to end the financial year 2011/12 at an unprecedented low level of just £2.8 million!

The GSD is not correct when they say that this situation had nothing to do with solvency. The fact is that the GSLP/Liberal Government were faced with a serious financial problem. The new Government was not prepared to take net public debt beyond the statutory borrowing limit and had urgent action not been taken at the time to stop the uncontrolled outflow of funds, the cash reserves available to the Government would have run out. The Government would not have been able to fund its day-to-day business, let alone its ongoing capital projects.

The GSD state that expenditure by the Government in the last 18 months has been in excess of £200 million, including capital expenditure and the redemption of Government Debentures and suggest that such expenditure would not have been possible without some miraculous turnaround in the public finances during that period. Of course, this is either a mischievous statement to confuse the issues or it is just a reflection of their continued lack of understanding of how usable cash reserves are arrived at.

The fact is that the Government's repayment of around £142 million of Government Debentures during the period had absolutely no effect on the Government's usable cash reserves. It is the Gross Public Debt that has been brought down by the early repayment of these Government Debentures and both net public debt and usable cash reserves have remained unaffected by this.

The growth in recurrent departmental expenditure has actually been brought under control by this Government and forecast departmental expenditure for the year ended 31st March 2013 has ended broadly in line with the approved estimates. It is the first time in many years that such control in departmental expenditure has been achieved.

The growth in the expenditure budget is also under control and, in line with the manifesto commitment, is significantly less than the growth in our GDP.