



PROCEEDINGS OF THE GIBRALTAR PARLIAMENT

MORNING SESSION: 10.02 a.m. – 12.16 p.m.

Gibraltar, Monday, 1st December 2025

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The Gibraltar Parliament

The Parliament met at 10.02 a.m.

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

[ACTING CLERK TO THE PARLIAMENT: K Balban Esq *in attendance*]

Order of the Day

GOVERNMENT MOTION

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Acting Clerk: Meeting of Parliament, Monday the 1st of December 2025.
Suspension of Standing Orders. The Hon. the Chief Minister.

10 **Chief Minister:** Madam Speaker, I beg to move under Standing Order 7(3) to suspend Standing Order 7(1) in order to proceed with a Government Statement.

Madam Speaker: Those in favour? (**Members:** Aye.) Those against? Carried.

15 **Minister for Justice, Trade and Industry (Hon. N Feetham):** Madam Speaker, I rise to make this Ministerial Statement in order to update this House and our country following the decision by the United Kingdom Chancellor of the Exchequer to significantly increase gambling taxes. This is an issue of vital importance to Gibraltar and one that may directly and indirectly affect our public revenues. It is precisely for this reason, Madam Speaker, that over recent months we have spent a substantial amount of time and effort lobbying in the United Kingdom and setting out clearly to
20 His Majesty's Treasury the potential local consequences of such a decision.

Gibraltar has been an international centre of excellence for online betting and gaming for decades. Ever since the development of our gold standard regulatory framework for the sector in the 1990s. Our sector is well regulated and world leading. Our businesses are dual regulated in Gibraltar and the UK and they pay taxes both in Gibraltar and the UK. The sector is a Gibraltarian success story of which we should be proud of.
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Today, the online betting and gaming sector is a vital pillar of our economy. It accounts for approximately 30% of our GDP, employs more than 3,400 people and generates around a third of our tax receipts through a combination of corporate income tax, personal income tax, social insurance and local gambling duties.
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In the UK Budget of the 26th of November, remote gaming duty, a tax on online gaming, casino games, poker and bingo was increased from 21% to 40% effective from April 2026, making it among the highest rates in the world. In addition, the tax on online betting was increased from 15% to 25% effective April 2027. Taxes on UK retail gambling, betting shops, bingo halls, casinos and gaming arcades were not raised with retail bingo duty being abolished altogether. There had
35 been speculation that there would be an increase in UK retail machines games duty 20% to 25% but that was not done and all taxes have been loaded onto the UK facing gambling industry. Tax rates on gambling on British horse racing remained at 15%.

Madam Speaker, gambling taxes are a top line tax charged on revenue and should not be confused with bottom line profit. So effective tax rates, all taxes as a proportion of profit are much higher. Even before these changes, it was estimated that this stood at 60% to 65%.

Modelling by some in the UK now suggests the effective tax rate on these businesses will increase to between 80% and 100%. Tax is charged on a point of consumption basis so legitimate UK facing firms such as those based in Gibraltar as opposed to the UK facing black market are already paying UK gambling taxes. In Gibraltar firms already pay £750 million of gambling taxes annually to the UK exchequer.

Madam Speaker, it also goes without saying that this development impacts the vital work we have undertaken over the past two years on corporate tax reform which we have referred to as Gibraltar's National Tax Strategy; a strategy I have explained on many occasions inside and outside this House. That work delivered significant progress and had already been reflected in the record tax revenues announced at the last Budget in July this year. An important pillar of this Government's tax policy.

The tax revenue generated helps to fund our Public Services, Healthcare and Education and to strengthen our public finances without increasing the burden on ordinary working people. This announcement, unfortunately, could put us back to where we were before then. The level of corporate tax and PAYE revenue at risk in Gibraltar will depend on the extent to which local operators are able to mitigate the increased gambling tax costs. Raising tax in the UK imposes higher costs on Gibraltar gaming businesses and reduces the amount ultimately paid in corporate tax in Gibraltar. If part of that mitigation involves reducing jobs this would, in turn, have a direct impact on PAYE receipts.

I am grateful to the UK Exchequer, Secretary Dan Tomlinson MP, for the time he and his officials have taken to meet with me on a number of occasions in recent months and to the many other UK Parliamentarians, too numerous to name, who have done the same.

I must also say that I could not be prouder of the officials from both the Ministry, the Gambling Division and the Tax Office who have worked alongside me in recent months. They know how challenging this has been to me personally. No matter how robustly or persuasively our and the industry's arguments were put it became increasingly clear that there was strong support both within the UK Government and among influential voices outside it for raising gambling taxes significantly with some, including the Treasury Select Committee, even calling for increases above 50%.

We presented every argument highlighting the economic impact on the UK and not just Gibraltar including the effects on the black market and the Laffer Curve. In discussions with UK Treasury, we sought differentiated treatment for Gibraltar and the wider British family. When this was not accepted, we advocated for any necessary tax changes to remain manageable with Gibraltar sharing in the adjustment and for any further tax increases to be phased in.

While challenging and still resulting in an annual corporate tax shortfall for Gibraltar the proposed level was at least one, we could attempt to mitigate elsewhere though this too was ultimately not accepted.

I am also grateful to the local gaming industry and to the Gibraltar Betting and Gaming Association as well as the UK Betting and Gaming Council, particularly Stephen Hodgson and Grange Hurst for the advice they have provided throughout this period.

It has certainly not been easy. We sounded the alarm in the UK to anyone who cared to listen. Early on, some even accused us of scaremongering because no one expected the outcome of the Budget to be as it ultimately was. The market consensus had been that any increase in online gambling taxation would not exceed 30% which many believed to be the upper limit of what the sector could reasonably absorb. In the final weeks before the Budget, I personally feared a worse outcome because it became clear that for a significant number of Labour MPs the issue went beyond economics and became ideological framed around the perceived social harm of online gambling.

90 That rationale was confirmed in writing to me by the UK Treasury immediately after the announcement which described the measures as a proportionate way to raise £1 billion for public services by targeting online gambling on the grounds that it is associated, according to them, with higher levels of harm and societal costs and emphasising that the package was significantly less than many had been calling for.

95 It is against this incredibly challenging political backdrop that I and others worked so hard. Some may ask whether the time lobbying in the UK has been wasted. My answer is clear. Regardless of the outcome, we can be proud of the work we have done in engaging the UK Government and of the relationships we have built, strengthened and newly established along the way.

100 Madam Speaker the pace at which we have had to confront challenges facing Gibraltar has been relentless. We spent months lobbying in Brussels to secure Gibraltar's removal from the EU grey list and no sooner had we succeeded, this challenge in the UK emerged.

105 Others locally have spoken about the need for a Plan B. But let us be clear. Replacing an industry as significant to our economy as gaming cannot happen overnight, particularly after we have already had to recalibrate our economic model following Brexit, endure the impacts of Covid and navigate the subsequent cost of living crisis. Yet adjust we must. And that means doing things differently and seizing new opportunities for Gibraltar as they arise.

110 We did not ask for these measures. We lobbied strongly against them. And frankly, there was very little more that we could have done. We have been actively engaged in driving Gibraltar's growth agenda in other areas. Far from remaining still, the Government has worked closely in close partnership with the Gibraltar Regulatory Authority and the Financial Services Commission to advance a series of policy initiatives aimed at strengthening our financial sector.

115 The recent appointment of new GRA board members signalled a renewed focus on innovation and modernisation. Earlier this year, we convened a finance summit to bring the industry, the regulator, the FSC and Government together to map out future opportunities. Since then, our dialogue with the FSC has intensified around practical measures to support growth, increase competitiveness and attract new investment.

120 These measures include accelerating our work on technology-friendly regulatory frameworks, expanding support for AI, blockchain and digital services and creating the conditions necessary to draw high-value businesses across emerging areas. By focusing on innovation, skills and smart regulation, we can broaden our economic base, generate new revenue streams and secure long-term prosperity for Gibraltar at a time when other areas of our economy will be impacted by the recent UK Budget changes.

125 I also remind this House that we have already secured its unanimous support for legislation, enabling the Government to issue directions to the FSC in the macroeconomic interests of Gibraltar. That underscores our commitment to act decisively when necessary to protect jobs, maintain competitiveness and promote sustainable growth. Madam Speaker we expect to bring the new Gambling Bill to this House, and I believe it enjoys cross-party support.

130 In recent months, as part of exploring viable alternatives, I have been in discussion with the Gambling Commissioner on how best to grow our non-UK business, both to diversify our exposure and to open new markets for Gibraltar. On Friday, I instructed the Gambling Commissioner to accelerate this work so that Gibraltar can move swiftly to capture opportunities beyond the UK and strengthen the long-term resilience of our Gaming Sector. Madam Speaker, throughout my 31-year professional career, I was deeply involved in developing Gibraltar's growth sectors. These took years to build and required persistent hard work, and I know what that process entails. Brexit was also a major challenge to our financial sectors, and I was heavily involved in the restructuring that followed. But realistically, no new economic activity can replicate that success immediately or replace the tax revenues we will lose. Because these things take time, we therefore need everyone across the public sector, regulators and bodies working together to deliver maximum value. And we must focus as much on spending efficiencies as on growth. We cannot ignore that
140 this affects everyone and that every citizen has a role to play.

Finally, Madam Speaker, this is not the time to talk Gibraltar down. We do so at our own economic peril. Any further erosion of confidence would only compound the challenges we face and could inflict far greater damage on our economy. It has taken decades to build the strength of our economy, but it will be damaged in a fraction of that time. I am obliged, Madam Speaker.

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Madam Speaker: Any hon. Member wish to ask any questions for the purposes of clarification? Yes, the Hon. Mr Clinton.

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Hon. R M Clinton: Thank you Madam Speaker and first of all I must thank the Hon. Minister for providing me with an advance copy of his address this morning.

His address is pretty clear Madam Speaker, I do not think anybody who heard it would have missed the message in that what has happened in the autumn Budget will invariably have an effect on Gibraltar's revenues and on the amount that Gibraltar has at its disposal for spending.

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Madam Speaker, I have seen quite clearly over the last few months clear signals from the Gambling Commissioner himself and from the Gibraltar Betting and Gaming Association where they wrote a rather ominous letter to the Chronicle on 17 November where they warned that there would be an impact depending on what emerged from the autumn Budget. And indeed, I understand, because we have been in contact with the Gibraltar Betting and Gaming Association, that they were working very closely with the Government on this and obviously we offered them our full support.

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The one message that we in the Opposition can give is that in terms of financial services or in fact gaming, there is no political divide in this House on that question. I think we can speak as one in the sense of we know what is best for Gibraltar and these are important industries for Gibraltar. So, in that respect, it does not matter who is in Government, I think we will be saying the same things.

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By way of clarification, Madam Speaker, if I could just ask the Minister just really one minor point and one general point. The minor point is whether the Minister would be willing to share with us the letter he had from the Treasury which he referred to in his address. And then secondly, in terms of managing and mitigating the effects of these measures, has the Minister or is the Minister considering setting up some kind of working group of the industry?

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Thank you, Madam Speaker.

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Hon. N Feetham: Madam Speaker, I have provided a summary of the communication from UK Treasury. That is as much as I can provide to this House. I understand that it would not be appropriate for me to share the communication in totality, but I can reassure the hon. Member that the summary of the content is very well reflected in my statement. There is not really much more to add. I can assure the hon. Members of that.

In relation to his second question around will we set up a working group, the answer is we will engage with the industry. We have been engaged with the industry over the last few months. I have been in regular contact, not just with licenced operators here, but the wider market in the UK. So those discussions and that dialogue will continue, Madam Speaker. And I am really grateful for the support that has been offered by the hon. Members on the opposite sides of the House.

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Madam Speaker: Any other hon. Member wish to ask any questions? No. All right in that case, we will revert to the motion. Does any hon. Member wish to speak on the amendments to the motion? Yes, the Hon. Mr Bossano.

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Minister for Inward Investment and the Gibraltar Savings Bank (Hon. Sir J J Bossano): Madam Speaker, the contributions so far from the two Members of the Opposition have suggested that the motion that we are debating here is in fact an attack on the Principal Auditor and that he is the victim. And this has been reflected both in the leader of the Opposition's speech and the one by the Hon. Mr Clinton.

I think it was a Leader of the Opposition that said that it was a kangaroo court. Not being very familiar with legal language, I am not sure who the kangaroo is in courts. You probably know more about that than I do, Madam Speaker. But certainly, if the kangaroo is the victim, then the victim in this court is the one that has been attacked by the Principal Auditor who has taken a political approach to a number of issues, which is not what he is there for.

In the introduction of his audits, he reminds everybody of his constitutional rights. And the fact that nobody here is able or wants to tell him how to do his job, it does not follow from that, that whatever he decides to do is the right thing to do because he is infallible, because he is not infallible. The fact that he is protected does not make him infallible, and the fact that he is there to do a specific job does not mean they can choose to interpret what else he can do, which does not fall within that remit.

I am grateful for the contribution from the Hon. Mr Clinton, who shared his expertise in this area. He has often reminded us that he is not an economist and that his background is that of a banker, and he explained why accountants and auditors do the things they need to do and how they do them. And I am grateful to him to do it because I listened with interest because I learned from him how it should be done, and clearly how it should be done is not how it has been done in the last audits that we have had.

What Mr Clinton described, what the Hon. Mr Clinton described is what has been happening in 50 out of the 53 years I have been here, and it was what has happened with every previous auditor, and it is what still happened with the last Principal Auditor in respect of 2015-2016. And if one looks at the terminology, the wording, the content of 2015-2016, and all the previous audits going back to 1972, as I have done, the pattern is indistinguishable.

The issues are very similar. The approach is there, and they are all reflective of a system that is there that is done the same by different people. So the fact that there have been a number of different Principal Auditors has not produced any different results in terms of the terminology or the approach or the areas on which the auditors focused. In terms of, for example, the value for money audit, which was started in 1992 when we were in Government, when I was in Government, and I, in fact, introduced that at the request of my very good friend, Walter Crisp, who was the Principal Auditor. It has continued since then on the basis that it is there with Government support, but not that it is something that the auditor is either legally required to do or has a legal obligation and therefore, if it is with Government consent and they want the Government to make it legal, then the way that it has been used in terms of value for money by the last Principal Auditor is not something that is going to encourage me, as far as I am concerned, to support that there should be a legal obligation to do it, if that is what a value for money audit is going to be converted into.

Because when the Principal Auditor picks on issues that he wants to look at, for example, he decides in one of his reports, in the last one, that he is now going to look at the existence of people who get an exit package when they finish work. And then he makes a judgement in that value for money as to whether it should be happening or not. But, of course, he chooses to ignore how it starts and where it came from. So why are these packages there and who put them there?

Well, the answer is very simple. The history there is written in what has happened in the departments. If the auditor is not familiar with that, which would not be the case of the last Principal Auditor who has been around for a very long time and whom I have considered a personal friend for a very long time against the position of the Leader of the Opposition, who says that he hardly knew him, I have known him for a very long time.

And I think that something went badly wrong after his first audit, which converted his approach totally. And if, in fact, as the Hon. Mr Clinton says, the role of the Principal Auditor is to be a watchdog, then in his first audit of, I think it was 2015-2016, he was the watchdog, and then in the 2016-2017, either he had an attack of rabies or he mutated into a rottweiler. Because the change is incredible and the language that went with it.

So, we have got a situation where he decides that he wants to do an inquest into whether there is value for money in what is being paid. Why is it there and who put it there? It is very simple.

245 The GSD Government decided in 2010-11 that they wanted to close down the former Public Works Department, which had become, during their term, the Housing Works Agency. And they entered an agreement with the Union. And the payments were agreed with the Union.

Now, if he thinks that that was not value for money, then what the audit has to do was the audit when it was introduced in 2010-2011. Because it was a legal obligation to continue to honour an agreement entered into by the previous Government and the Union. An agreement which said that basically the Housing Works Agency would be closed down by virtue of the fact that for every two people that left with the package, I mean, we were in Opposition then and I was actually closely involved in what was happening because of my links with my colleagues in the trade union movement at the time and this was a very divisive issue because clearly, as one would expect, the division was between the people who were in favour of the package, who were those who were near retirement age, who got the money in 2010-2011 when it was introduced, and those who were not of that age and would continue working. Because clearly, if the department was going to be shrinking, then the shrinking would, if anything, impact on those who stayed at work, not on those who left with money and therefore, there was a ballot and it was very narrowly carried forward and the result was that when we came in, we found, first of all, claims for the people who had been left out.

So, when he criticises the inclusion of people who were not there initially, then he is criticising something that has nothing to do with the year in which we are looking at, has nothing to look at whether what he is doing has anything to do with value for money, because if it was not value for money, that money had already been given away. What he could not expect any Government to do was that after this has been going on since 2010-11, in 10 years later, the people who have been living under those conditions and working under those conditions, and with those expectations, should have that removed because no other previous auditor ever looked at this and came to the conclusion that the Principal Auditor came to on this occasion, and he himself had not raised any objections in the previous audits. So, why did he do it this time and what is the purpose?

Does it achieve anything that is realistically possible? If the purpose of pointing out that something is not value for money is that something can be done to make it value for money, then that would be legitimate. But if it is just a way of criticising the Government, which is what he has used it for, because nothing can be done about it, then that is not what the Hon. Mr Clinton explained is the role of an auditor.

The role of the auditor is to look at something and give advice and produce something that is beneficial in terms of getting better results from the expenditure that is taking place. And, as I just said, it started in 1992, because based on that definition, why should any Government be against being advised on how they can do better with the money that the public purse has in the consolidated fund? If we can get better results from spending less money to do things, then that is something to be welcomed, and if that is what the exercise does, that is something to be welcomed.

But if you are looking at something and saying you are doing an exercise of value for money, and then the way that you look at it, the way that you express it for anybody who does not know the history of it, gives the impression that out of the blue, suddenly the GSLP is dishing out exit packages left, right and centre for reasons, presumably, given other comments that there are in his analysis, for reasons that it is to give money to people who are members or supporters of the GSLP, which is complete nonsense and it is not what has happened.

But that is the approach and the way in which this has been presented in the two occasions, when the first occasion was in the 2016-2017 and 2017-2018 when he brought two years together, and in which he thought were going to be the last ones that he would do, because at the time he announced that he was intending to retire at the close of the financial year 2024, and then that was delayed to 2025, and that is why we have had the second session of the new Principal Auditor behaviour.

And I think it is a behaviour that he is not entitled to engage in because it does not reflect the explanation of what Principal Auditor's should be doing, which the Hon. Mr Clinton explained very well and reflected his own experience as an auditor and as an accountant. And what we are doing here in this Motion is not attacking him because we are the ones that have been attacked. And if we do not defend ourselves here in Parliament, where do we do it?

We do it here because this is a document that is being laid in Parliament, and if it is being laid in Parliament, then it is in Parliament that we have to point out the inconsistencies and the misleading elements in that document. In particular, the approach to the Savings Bank, which contains an element where the Principal Auditor went to great lengths in his arguments with the officials in the Treasury about the newly introduced debenture for economic development. The economic development debenture, which was introduced, is part of the £2bn that the Hon. Mr Clinton said our Savings Bank now has in deposits.

He also said that probably 99% of pensioners have their money in the Savings Bank and I agree, probably 99%, which means that probably the former Principal Auditor is not in the 1%, but in the 99%, notwithstanding everything that he said about the Savings Bank. Of course, what we have in the pensioner bonds for the Savings Bank is the 10-year bond, which produces a return, which we have maintained consistently at 5%, independent of what the market rates have been and that, of course, is linked to the commutation that we introduced to give Civil Servants the opportunity of obtaining a lump sum for their pension, and all the money that we have paid as a lump sum eventually found its way back into the Savings Bank in these bonds. There are, of course, many pensioners from the private sector also there, but they are the primary source. So are the pensioners somehow, I accept that the Hon. Member has added that he is saying that there is any irregularity or illegality in the way that the Savings Bank is being conducted. Indeed, the Principal Auditor says:

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been for the purposes intended by the Gibraltar Savings Bank Act and the financial transactions recorded in the financial statements confirm to the authorities that govern them.

He says:

In my opinion, in all material respects, the income and expenditure recorded in the financial statement have been applied to the purpose intended by the Gibraltar Savings Bank Act, and the financial transactions recorded in the financial statement confirm to the authorities that govern them. In my opinion, the official statement properly presents the revenue collected and the expenses paid, the deposits and the withdrawals, and the investment adjustment. The reserve for the financial years ended 11 March 2019 and the assets and the liabilities at the end of the period.

In my opinion, the information given in the report of the Director of the Savings Bank is consistent with the financial statements. Matters on which I have to report by exception. I have nothing to report in respect of the following matters which I report to you in my opinion.

I have not received all the information or explanation which to the best of my knowledge and belief were necessary for the purpose of the audit, or the proper books of account have not been kept by Gibraltar Savings Bank as far as appears from the examination of the book, or that the Savings Bank has not discharged its financial duties and obligations in accordance with the provisions of the Savings Bank Act, or that the financial statements are not in agreement with accounting records.

None of that has happened. So, this is a complete, clean bill of health. No question about it. So then if there is no question about it, why is there this hullabaloo and why is the Leader of the Opposition weaponising?

Because if it is not the Principal Auditor's intention, the result is that the hon. Member opposite has made a political weapon out of the fact that the Principal Auditor believes that the money that has been invested in the Economic Development debentures, all that money, not the rest, entitles the people who put the money there to an explanation of where the money is going in terms of which projects are being supported by that money.

350 Well, Madam Speaker, there are £2 billion. So, the Principal Auditor says that the people who do not buy the Economic Development debentures do not have that right. They are not entitled to know how their money is invested only the ones in the debentures that are for Economic Development.

355 When I introduced the Economic Development debentures, I did it for a specific purpose. I did it so that if somebody did not want to have his money invested in Gibraltar, right, then he could still invest in the Savings Bank, and the money would not be invested in Gibraltar.

360 But the money is not in different pockets. So when the Principal Auditor says to the director of the bank, which is not a bank anyway, it is a fund, a Special Fund, then she explains to him something that is factually correct. The fact that the explanation that he gets is not the one that he wants to hear is not something that entitles him to then produce a language which is used by Members opposite, either because he intended it to be done or without him intending it, as if it reflected something putting the people's money at risk or something being wrong. And it is absurd that if that were to be said, it would only apply to the smaller part of the funding, which is the one that is in the Economic Development debentures.

365 The Economic Development debentures are not in a separate pocket so that there is an entity that has all that money. It is the money, the £2 billion of cash that has been put in the Savings Bank, as the House knows and as its public knowledge and as it is provided every month in questions, is distributed in a particular way and I have explained it when I have written to the Members.

370 The money is either invested in Government companies and those are identified or invested in the purchase of Government debt, which the Hon. Mr Clinton sometimes has criticised in his Budget speeches and which I thought was an evident case of value for money, a decision that gives us value for money, because before when the GSD was there, what they did was that they put the money of the Savings Bank into commercial banks and then having put it there at a low rate, borrowed it back at a higher rate. I am not an auditor and I am not an accountant, but even
375 I can work out with simple arithmetic that if you put a million pounds in a bank and then you borrow back the million pounds and you pay the bank more than they pay you, then the value for money thing to do is not to do that, which is what we have done by shifting the Government debt, the £370 million of Government debt from a borrowing of a bank to a borrowing from the Savings
380 Bank, which in the end means that the Savings Bank is able to assist by having a low rate as we have done when it was necessary to support the public expenditure of the Government and in any event if it was at a higher rate, the higher rate would just accumulate more profits, which as the Hon. Mr Clinton says in theory, but it is not going to happen while I am there, it could be possible at any time.

385 So, the value for money concept explains why we do what we do with the money in the way that we do it and when the situation is that we are now supporting as part of our political commitment because what we are doing in the Savings Bank is not something that we invented after the Election, it is something that we explained during the Election and therefore we are required to be consistent in the delivery of work in Government, the things that we said we would
390 do when we were in Opposition and the concept of diverting money into investment in the Gibraltar economy is important and if it was ever important before, it is even more important today after what we just heard from my hon. Colleague.

395 The reality is that the small part that is currently being invested is well below the money that is coming into that sector of the products that we have in the Savings Bank. Indeed, the fact that it is more means that it will probably increase in the future, but at the moment something like two thirds of the money that is in the debentures is not being used for that at all. In any case, this is all that in the context that I explained that it is not that there is a part of the fund as the hon. Members know when they look at it that says money from the debentures is here and money from pensioners is there.

400 The pensioner money is identified in terms of the deposits, but it is not identified in terms of where those deposits are then passed on in order to bring in the money that we use to pay our

depositors. So, what we have now and what we are doing now and what the Principal Auditor tried to insist was an obligation on the part of the Savings Bank which he said was an entitlement that was there for people who have the debentures of economic development but not anything
405 else. Because before we had the Economic Development debentures, we were still having some money that was being invested in the local economy.

How can the concept of a policy being introduced by the Principal Auditor be explained in the two things that Principal Auditors can do? This is not about value for money and this is not about making sure that the expenditure is in constant with what the legal requirements are because I
410 have just read what he signs about that there is nothing that is being done that is contrary to any of the things that should not be done and that everything is being done as it should be done. So, the operation of the Savings Bank is signed by the former Principal Auditor as complying 100% with the way it should be operated.

But he has an opinion and a view and that opinion and a view he can have as a person, as a
415 citizen or as a politician. It can be a view that Members opposite may have but it is not part of his role because that is nothing about value for money and it is nothing about the auditing of the accounts. And what he tries to then convert into something which the hon. Member opposite has mentioned here and outside and on social media that nobody knows where that money is. Well
420 of course they know where their money is but what they are trying to say is that if the entity that is a bank because 90% of the money of the Savings Bank finishes up in the purchasing of loans from banking or money lending entities. And that is true even of the ones in the UK. So, we have got a situation where we have money in all the banks in Gibraltar and we have money in an entity which is the Credit Union.

So, everybody knows where the money is in the credit union and where the money is in the
425 banks in Gibraltar and where the money is in the banks in the UK. But in the case of the credit union, the principal holder thinks, although he does not say that, but by the interpretation of the members opposite, that the credit union then has to produce to the person that has bought the loan stock how they have invested the money. So that would mean that all the banks in Gibraltar should be telling us that the one and a half billion that they have, which is saving that money, how
430 that money is then spent.

Who did they spend it to? What has been done with it? Why is it that only £50 million out of 2 billion requires that the entity that issues the loan stock then produces a list of projects?

Well, the entity that has issued the loan stock has customers that are private firms that we are supporting through that mechanism. And there are other companies that by definition, the hon.
435 Members opposite and the public knows what the company does because of the name of the company. So, if we have got a company that makes homes for pensioners, then the fact that it is called Community Home Pensioner Ownership, the title of the company means that what the company is doing is that.

The fact that that company does it because of its title is as far as it goes. Because if the Savings
440 Bank has bought loan notes from Trusted Novus, it does not mean that Trusted Novus then supplies the Savings Bank with what it, in its operation, has done with that money. Who it has lent it to, what they have used for.

Nobody anywhere in the world operates a system like that. And I do not know whether the
445 Hon. Mr Clinton thinks that a proper way of running a business is that you have an auditor that actually wants to know not only where you invest the money, but where the person that you invested the money with then invest it at a further stage. It is not going to happen.

The fact is that the only institution in Gibraltar, and probably in the world, that gets deposits and then every month produces a list of where those deposits are reinvested is the Gibraltar Savings Bank. There is no other one. So, we go further than anybody else in Gibraltar or anywhere
450 else does in explaining how the money is reinvested by the bank.

But then what the Principal Auditor points out without any right to do so, because this is not about value for money or about how the Savings Bank should operate, is that he wants to know, because he thinks the people that have invested in the debentures for economic development,

455 they and only they should know which is the ultimate economic development that has resulted from that money. Which in many cases would not be, of course, a one for one. Because the fact that we provide funding to something by buying a loan note does not mean that we are the only one that does it.

460 So, what do we do? We say, well, look, this has been used in providing a building, but the building, this only covered a quarter of the building, so let's say, shall we say that we have got the roof? And now the people that put the money in the Savings Bank knows that this finished up paying for a roof of a building.

This is insane. And the fact that he does it, and the fact that that is then used to have people on social media saying, what is going on here? What is happening to the money that is being put in the Savings Bank? Why are they hiding it? Why do not they say where it is?

465 This is a complete and utter attempt at undermining the Savings Bank and therefore, I think it is something that it is not something if politicians on the other side want to do it, that is their business and that is the way they want to conduct their policies. But if that is the way the Principal Auditor does his work, then I think it is not what his work entails.

470 In looking at the other areas in which he has made comments which have reverberated throughout, Madam Speaker, how can the Hon. Mr Clinton, for example, allocate the work of the Principal Auditor when he enters into things that has nothing to do with auditing?

475 So, for example, if he questions whether the allocation of a house should be done by one entity or another entity, I do not see that deciding the methodology of allocating houses has anything to do either with the accounts of the Government or the value for money, which are the only two things he can do. Because the fact that we do not tell him how to do the two things he is supposed to do does not mean that he can then go and do whatever else he likes. The fact that he is protected from being told how to do his job does not mean that he is entitled to tell others how to do their jobs.

480 And the fact that we are having this debate here is because the situation either was deliberately intended by him to be an attack on the Government or has been used by them to attack the Government, and therefore we are in the process of defending ourselves. The original approach taken by the Hon. Chief Minister was to identify the areas where what he was doing was actually questioning the legitimacy of Government policy, which is not his job. And therefore, if he is questioning the legitimacy of Government policy, he should be sitting there and not being a Principal Auditor.

485 The fact, I know that the legal arguments have been challenged by the Leader of the Opposition with other legal arguments, which is of course what normally happens when you have got somebody defending and somebody attacking. But in this occasion, he cannot be the defender because the initiative that has put us where we are was the initiative taken by the Principal Auditor, which broke the methodology, the approach and the content that had been consistent in every single Principal Auditor's report. Including his first one, you could not distinguish the methodology or find any content that broke away from the two things mentioned.

495 All the ones between the 1972 audit and the 1972, which was the first one that I was in this House for, and the 2015-2016, which was the first one that the Principal Auditor did, they all have the same method, they all have the same content, of course different numbers because they are different years. But it is not the case that after that something happened that justified a totally different approach. The only thing that was happening was that he was going to go in 2024, and I think that because he was going to go in 2024, he decided to go with the bang.

500 And therefore, when he did not go in 2024 and decided to go in 2025, he just decided that the bank had to be bigger because it was one more year. And those are what he is done, which has been a fuss of an audit because the elements that have been there all the time, in all the years of previous auditors, take a very small part. But when he goes, as he has done, down the road, he seems to go into departments, he certainly does it in the Savings Bank, where he has verbatim data of his conversations, pages and pages.

505 I do not know if it is wrong with a tape recorder in his pocket, but he has verbatim records of all the conversations of anybody. Well, it is all very interesting as a novel, but what has it got to do with either value for money or making sure that the numbers are right? And in those conversations, when he puts questions, he puts questions and he gets answers.

He may not like the answers, but that does not mean that anybody is doing anything wrong. 510 And what I have just said in the House is what he was told when he said about, he wanted to know where each pound of the money in the Economic Development debentures had been the project that that money produced. Well, we are not involved in producing projects.

We are involved in buying loan stock from people who produce projects. The people who produce projects do it partly with our money and partly with money from other people. It has 515 been happening for years in all the money that we have been sending to the UK to banks and lending institutions, which have reinvested that money in doing things in the UK.

What is going to be happening now, hopefully, is that less of that money will be flowing into the UK and more will be flowing into our own economy, which has a better effect in that it creates economic activity, which does not happen if it is sent to UK.

520 That is a policy that I would have thought was worth supporting, that we prioritise investment in Gibraltar and that we help the people in the private sector who want to invest and have limitations in their ability to raise money in Gibraltar. Limitations, because part of the problem here, which may be apparently in the process of being made less rigid, is the conditions that the Financial Services place on banking licences, as to how much they are able to loan to an individual 525 project, an individual development and apparently this is because the local banks are stand-alone and they have not got...they are not part of a bigger organisation, which that means that they are limited. I mean, for example, according to my discussions with the Gibraltar International Bank, they claim that they are not allowed to lend more than £10 million to a project. So if somebody comes with a project and says, I want £70 million, they say, well, I can only give you 10, so you 530 have got to go and look somewhere else for the other 60.

Well, what we are looking is, in conjunction with them, whether there is something we can do to improve the situation. Currently in the UK and in the US, both the Central Banks of both countries and the Governments of both countries are saying that the regulatory systems may have gone too far and are now making economic growth and investment more difficult, and that that 535 was never the intention and they are now revising to reduce the level of regulatory conditions that are being imposed in the banking system. This was announced 24 hours ago so, perhaps, if that happens, that may well enable us to follow suit, because all our regulatory systems, as I understand it, tend to be developed here on the basis that what the UK does, we do.

Therefore, we apply UK standards. So, if the UK standards are what we have today, and they 540 are relaxed in the UK, I imagine that we will be looking to relax them here as well. But what is clear is that what the report in those two years, which cover, in the first case, covered two financial years, and in the second case covered one financial year, and they were both six inches thick because, amongst other things, the Principal Auditor decided that he had a right to put in the audited accounts, the accounts of the Savings Bank for a number of years. Well, if that is what he 545 wants to do, and he thinks he has the right to do it, that is fine. In fact, he actually did it in the first year, he did it twice.

For the first time, in the audit of the funds, the Special Funds of the Government, which are all consecutively contained in part five of the document, when it came to the Savings Bank, he repeated all the arguments about the Savings Bank there. And then, in addition, he then included 550 the audited accounts of the Savings Bank, which are exactly the same. So, he was so keen to put that message forward that in the same book he did it twice. Well, of course, we added a few more inches to the size of the volume.

Well, Madam Speaker, the reality is that the policy that I introduced, which is the policy of doing the gazetting of the accounts in the way they have always been done, is not something that 555 he approves of. Well, that is how it has always been done, and he decided not to approve it the year that he said it was going.

Nobody else has questioned it before. So, we have got a situation where it is not that we have started doing things that nobody had done before us, and now those things are being challenged. It is that we are doing what everybody else has done before, but has never been challenged before, but is challenged now.

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Well, one has to question why it is a challenge now if it was never challenged before. When he goes down the road of saying, I am going to do a value for money, and then he says, well, why did such and such a person get paid? He is not questioning the system.

He says, why this one? And he says, well, if somebody is in the executive committee of the GSLP, then there could be favouritism. But if it was in the executive committee of the GSD, there will not be favouritism. So therefore, you can give to the GSD as much as you want, because it could not possibly be favouritism. But you have to be very careful that you do not do the same for the people in the GSLP. I mean, if that is not a recruiting campaign for the GSD, I do not know what it is.

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You get more money if you are in the GSD, but you get castigated by the principal Auditor if you get the same amount of money and you are in the GSLP. Which is the bit of his duties that comes under, the value for money or the value for the GSD? When he homes in on my colleague, *el jardinero*, does he take the trouble to find out what the origin of this is?

570

Does he know? He should know, because he has been around a long time. When we were in Government the first time, John Cortes was a civil servant in the GHA.

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And I asked him to leave the security of being a civil servant in the GHA, to take over the Alameda Gardens and convert them into the botanical jewel that we have today. And he was not very keen to do it. And I said to him, well look, try for a year, suspecting that once he got there, the appetite would overcome his insecurity. And it proved to be right. At the end of the year, he gave up his career in the civil service, and he then dedicated his life to the creation of the Botanical Gardens.

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Then we have an audit report that puts in question the integrity and the honesty of somebody that is only in the business of having been in that company, because I, as the Chief Minister of Gibraltar, asked him to do it for the good of Gibraltar, not for the good of his pocket.

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I think it is outrageous to make an insinuation like that. And it has no place in our audit report and in a place like Gibraltar where we all know each other.

So how can that be defended? And should not we be doing the defence of the person that has been attacked? Should we just ignore it and say, well look, we cannot say anything about this, we cannot touch this as if we were scared of the accusation, we were not scared of the accusation. Because there is no basis for the accusation, and it should not be there. And if there is anything that anybody on this side of the House does that is illegal, then what they should do is go to the police and say, well look, so and so is pocketing public money.

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That is what should be done. But you should not put it in a report so that people then copy the accusation and put it on the internet and have it all over the place, which is not just in Gibraltar, it is anywhere in the world. You can read the accusations that have been made and we are doing something wrong by counteracting that here. At the very least, it has to be countered here. Or is it that we are going to let the report stay here and for future generations of Gibraltarians to come back and say, yes, there was a guy called Cortes who was fiddling money in the Botanical Gardens because nobody else has said anything to the contrary.

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Well, we are saying something to the contrary. And what we are saying to the contrary is that it was wrong of the Principal Auditor to suggest that the fact that the contract carried on beyond the time that it initially was is something suspect because it is a Minister. If it had been somebody in the Opposition, it would not have been suspect, of course. Because it is permitted to...

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This is part of the philosophy of they can do whatever they want and we cannot do anything. So do as I say, but not as I do. That is the contamination of the GSD philosophy that has crept into the Principal Auditor's report.

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Well, what happened with John and the Botanical Gardens and the Alameda Gardens was not the only thing that happened. Because we introduced in the Government of 1988 to 1996 a

610 number of innovations, like many, many, many other things that we did, where we thought it would bring in better value for money.

For example, in the case of the Alameda Gardens, the Botanical Gardens, it was quite simple. I said to the people who are working there, and this is not privatisation, because we did not say we are going to sack all the employees of the Government and we are going to bring in a private company to do their work. What I said to them, I said, look, if you take over and you create a company which you own, I will give you a contract for 20 years, which will be revalued every year in line with inflation. That means that the Alameda Gardens in 20 years never increased in cost.

615 Why? Because all that it was doing was inflation linked so that the cost was in current prices, the same one as it was originally. All the other departments have increased in 20 years well above inflation, except the departments that accepted a proposal from the Government to bring this about.

620 So, the Crown Agents became Land Property Services. Land Property Services had a similar contract with us and continued with the GSD. So those entities that the GSD in Opposition criticised actually, when they came into Government, continued with the same system that we had initiated. Why? Because it made sense. Because when I talked to John and the people in the Alameda Gardens, I said, it is very simple. In many, many, many Government buildings, people go home and leave the lights on. In many, many buildings, people do not bother to close up the taps. Why? Because they think it is not their money. They are wrong. It is all the money of all of us.

625 But when you say, I am going to give you so much money for electricity, and if you then make sure that you do not put the lights on, unless it is absolutely necessary, you start making a profit from the money I give you for electricity. So the reality is that you empower them to make the effort, to make savings, because they are going to benefit from it. And that is a reality of human nature.

630 So the problem in private sectors is that we have to find things that produce value for money by sharing part of the value with the people that have to bring it about. It is not enough for the auditor to say, well, why do not you do it this way or why do not you do it the other? When Tony Sacramento was not the Principal Auditor, and he was working in the Employment, in the Social Services Department, and we came into office, and I was responsible for the Social Services, and I was responsible for Employment. And I think given that he points a finger at other people in office, it is legitimate for me to explain that little bit of history.

635 I said to him, look, historically, Social Services and Social Security and Employment have always been together, the DLSS. During the GSD, for reasons that I do not know, they were separated, and that makes it more expensive. We have got economies of scale, and we can make savings if we merge the two departments, as was the case before. So that means that you will become the Head of Department of the Department of Labour and Social Security, as it used to be when we were in office the first time. And he said, no.

640 I said, yes, but Tony, you see, it means that I do not need two Heads of Department. We can do it with one. He said, I am not doing it. Because we were very good friends, I did nothing about it. But he did not believe in value for money when I gave him the opportunity before he was a Principal Auditor to do something about value for money. And certainly, when we had the situation where we cut at one of the years around Covid, when we cut the payments and we did not give any payments to people who were above a certain level.

645 There was an unusual Union like reaction from heads of department. About the hundred pounds or whatever it was that they were not getting, including the Principal Auditor. So, the value for money element was not at the top of his head, whether the money went into his pocket or did not go into his pocket.

650 So, okay, it shows that when you look at the behaviour of other people, he is no different from anyone else. And what he preaches is not something that he practises. So therefore, when I look at the criticisms in the different things that I have identified, then what I see is something that I have not seen before in 52 years of previous audited reports.

660 And if something has happened once only, and then because the person involved stays another
year, he does not just repeat the same methodology but compounds it. I do not think it is
legitimate to try and excuse it by saying that, you know, what he is doing is what is normal for
Principal Auditors to do. And that what we are doing is something wrong and that what we are
665 doing is trying to, you know, attack him because everything that we are doing, we are doing by
identifying what it is that he has done, which has to be counteracted, which has to be answered.

Apart from the aspect of the Savings Bank that he has mentioned in one of the elements,
because I think the hon. Member opposite, Mr Clinton, said that he said some things that were
positive as well as things that were negative, right? Well, look, one of the things that was positive
was that he said that I think this was in 2018-2019, in the report of 2018-2019, of course, which
670 came out in 2025, in 2024.

He said the currency notes in circulation had, in fact, increased, which was, he produced a chart
that there were more Gibraltar notes in circulation than in previous years, which is a good thing.
Having said a good thing, which must have left a bad taste in his mouth, he then went on to add
a bad thing to make sure that he counteracted the good thing. So he then went on to criticise the
675 high volume of currency notes that were procured in December 2015, which have been held in
storage by the Government, a currency note manufacturer in the UK, and fees for the storage
have been £47,000 in previous financial year and £46,900 in the year 2018-2019, a total of
£156,000 since 2015, okay?

So, he mentioned something good and immediately below this, something good, something
680 bad, to make sure that the good effect does not stay for long. Of course, he was not doing a proper
job as an auditor, because this came out in May 2025, this analysis. But in May 2021, the notes
were no longer in the UK.

The Treasury had entered into an agreement with OSG and were paying something like £260
to have the notes stored in Gibraltar. So here we have got the Principal Auditor who chooses to
685 criticise the cost of storage when the cost of storage is not what he says, because it had been
changed four years previous to his accusation. In any event, if he had done his homework, he
would have found by asking people, which he did not, that the reason why we buy thousands of
notes is because when we get the quotations for the currency from the people in the UK, they tell
us that the price of loan notes below half a million is the same price as half a million, that is to say,
690 it is the cost of producing the first note.

If you pay £100,000 for 500,000 notes, you will pay £100,000 for one note, because reprinting
the note is very cheap. What is expensive is the original production of the note. It is like everything
else, you know, the one thing that you do for the first time is where all the money goes, and then
you can have multiple copies of that, and the copies cost very little.

695 So the reason why we have more is because having more would not cost less if we reduce the
numbers, and that is something that anybody that has dealt with the issues of currency notes, the
producers of the currencies tell you, well, look, it will cost you so much, and then after that, each
note will cost you a few pennies. So, you get each note for a few pennies, then in fact, there is a
much greater margin. The more notes that are in circulation, the greater the profit to the
700 Government, because the more notes that have been printed, the price goes progressively down
by every 100,000 that you increase the print.

So here we have got a situation where the Principal Auditor, unconnected with what the level
of circulation was, suddenly decides on this years, because the figures on the numbers of currency
circulation have been regularly put in previous reports. But what has never been put in previous
705 reports is the negative argument that, okay, there is a lot of notes being used, but the Government
has been negligent in ordering more notes than they need and having to pay storage. Because
they do not use that terminology, but that is the only possible explanation for adding this, which
happens to be incorrect, because he just added it in order to say something bad after having said
something good without taking the trouble to do his homework.

710 Is that something that is not permitted, that one should audit the auditor and find him failing?
Because if you are going to make the remark, which might be a legitimate remark at the very least,

find out whether there is a reason for ordering so many and find out whether you are still paying storage at least, but not accuse us of something where you are wrong. What you are saying is not value for money.

715 In terms of the position on the Savings Bank, Madam Speaker, what needs to be clear, of course, that although I have accepted what the Hon. Mr Clinton said a long time ago, in his early years here, that the Savings Bank really is a development bank. Of course, it does what a development bank would do, because it is producing an output of real assets by the way that it reinvests the money. So if the money goes into a Government company, which is building houses,
720 then it means that that company, if it did not get the money from the Savings Bank, would have to get the money from somebody else, which would be another bank, which would have to charge more than the Savings Bank does to be able to make the profits that they require to give money to their shareholders.

So, by the property company selling debentures to the Savings Bank, what is happening is that there is an element of cost reduction of the homes. I know that the Hon. Mr Clinton insists that that is public debt, and we say it is not public debt, because the definition of public debt is in the Constitution, and therefore, if they remind us when it suits them that we must do everything as the Constitution says, then that is what they should do as well, and do what the Constitution says is public debt. It is debt of Government companies.

730 The Government companies that have become indebted have produced assets, so it is not that there is nothing solid backing the money. The thing that the money has been used to do things, and it has happened in relation to the Generating Station. It has happened in other areas where they were intending to go to the United States to borrow money, to do the Generating Stations and we have been able to do it with local money, and that is better, because the profits stay here,
735 and they should accept that that is better.

So, when we look at the methodology that we adopt, the methodology is not meant to do anything other than maximise the benefit to Gibraltar and to its economy by doing the things in the Savings Bank in the way that we are doing it. We produce in the Savings Bank the information that goes beyond what anybody else produces - that is as much as is going to be produced. We
740 are not going to say to people, you have to report to the Savings Bank how you have gone from raising money by selling us debentures to then reinvesting that money. That is not going to happen. That does not happen anywhere. What we are doing already does not happen anywhere. And therefore, I think it is totally unreasonable to expect that anybody should be prepared to go down the route of doing that.

745 When they were in Government, they never thought of doing anything like that, ever. And I think part of the problem that has contaminated the Principal Auditor's report has been, frankly, due to the Hon. Mr Clinton. Because I think he started off with challenging, in the first year that he was here in 2015, he first started off by challenging the money that was, he said, being spent. And he convinced the then leader of the GSD, Danny Feetham, that there were two books. And
750 that, in fact, the book that contained the revenue and expenditure of the Government of 2015 was only half of what was being spent. That was the language of the analysis of the Budget debate and that there was an equivalent level of recurrent expenditure, I do not know where the money would have come from because that money did not exist, which was being hidden and were not being transparent. It was not true. It has never been true.

755 How could it be true? How could the Principal Auditor that audited the 2015 accounts not know about the second book? How would all the people in the Treasury not have been convicted by now for having a second book?

Because to say that you have two books is to say that there is something seriously wrong with the legality and the correctness and the reliance and the trust that you can have in the estimates.
760 And if that had been true, no Principal Auditor, by his own explanations, that is, if he had been the Principal Auditor in 2015 instead of a Member of the Opposition, and if he had heard a Member of the Opposition say there are two books and the book we are looking at is only half the expenditure and there is another half that have got hidden in another book, he, as the Principal

765 Auditor, with his experience of Principal Auditor would have admittedly said I want to see the other book. I want to see where this money is and I want to see where he is coming from. But he created for the first time a situation where it was the first time in the time that I have been here that the Opposition voted against the expenditure.

770 There is nothing wrong to vote against the expenditure if you do not agree with the things that we are spending the money on. But if you do not agree because you argue that we are spending more than we are asking you to agree to, but we have that hidden in another book and there is not another book, then the legitimacy of voting against has disappeared. Now, clearly, that approach that there is something nefarious going on in the background and that we are hiding things has been a constant theme in the approach of the Members opposite.

775 That is what we see when we see the reports of the auditor, that the same kind of approach of suspicion and innuendo is there. And that is why it is not when the Hon. Mr Clinton says, well, if I want to have a committee and the Principal Auditor agrees that we should have a committee, that is not because he is the same as the GSD. That is because this is something that most people in everywhere else do.

780 And it is accepted that everybody everywhere else does it. Yes. Okay. But if we say it is not our policy, they can say, well, we do not believe that you are right. We believe you are wrong. He can do that. Mr Clinton is perfectly entitled to say he does not agree with us and that we should have a Public Accounts Committee and that he would want to have one. And he tries to persuade us to have one.

785 But not if he is the Principal Auditor. That is not a value for money thing and that is not whether the numbers are correct or not. So, there are things in the Principal Auditor's behaviour that are legitimate political things to say. Except that he is not a politician theoretically.

790 So, we are entitled to question what is happening because A, it has never happened before, and B, there is a similarity in the way that things are being dealt with. And I do not know if the hon. Member really believed that there was a second set of books. But when apparently, he stopped believing it, he then said, well, we are now going to stop voting because we do not know where the money is going that subsidises the companies.

795 Okay. Well, the money that is going in subsidising Government companies is to subsidise the Government companies. What is it that you do not know? You know where all the companies are. We did not know where the companies were when you were in Government. Because the same pattern is there all the time, Madam Speaker. You see, in 1996, the GSD said, the first thing we are going to do is publish all the accounts of the companies. The second thing we are going to do is start reducing companies. They did the first thing.

800 They did the opposite of the second thing, they increased them. Okay. That was the old GSD. But they say what a wonderful thing the old GSD was. So if they, notwithstanding the various previous iterations when they were not GSD, they say that there is continuity with the old GSD, and there seems to be in the way they behave now. Then what do they do?

Do they publish the companies after 1996? No. Do they actually do the accounts of the GSD? No. Do they publish accounts? No.

805 Has the Principal Auditor or the Members opposite questioned the incredible thing that is shown in the public accounts of Gibraltar and in the accounts dealing with the different entities that still have to be audited, which shows that the Gibraltar Development Corporation, the GDC, has still not produced accounts after 1996. The last accounts of the GDC are the accounts of the last GSLP Government, not this one. And these are the people who lecture to us about transparency and doing the things right.

810 The Principal Auditor mentions the fact that there is all this list of entities that have not produced accounts and that he cannot close them. But he just says, well, they have not produced accounts, and we have not been closing. And that is it. Because how can he say anything worse than that? He would have to say it about the GSD. This is not permitted.

815 Now, if it had been that instead of stopping at 1996, it had stopped at 2010-2011, then there would have been a long dialogue about the fact and the failure and the lack of transparency and

why was not it done and how can we do this and how can we do that? The pattern is clear. It is one rule for them and one rule for us.

820 And if it is one rule for them and one rule for us, it is a legitimate thing for them to do because that is the way they do politics, but it is not a legitimate thing for the Principal Auditor. If the Principal Auditor wants to appeal to his legal rights under the Constitution, then his legal rights under the Constitution, it is not that he has the right to do things, to become an instrument of the Opposition in the last two audits that he did. Not in the first one, but in the last two, which are totally, totally different from anything that has been done by him or by any other auditor in all the time that I have been here.

825 In looking at the payments that have been made to people, well, the payments that are made, when he questions, for example, the payments of the exit packages, which, as I have explained, was something that was introduced by the GSD for a particular purpose. That is to say, it was spending money in order to reduce the size of the public sector and eventually save money. So, what he was doing, what the GSD was doing was a value for money assessment that in the long run, it was better to pay people to go early and then replace the work done by the Housing Works Agency by the work done by contractors.

830 Indeed, one particular element that he is never bothered to question was that in addition, I mean, this was towards the end of the terms of the GSD in Government, in 2009-2010 and 2010-2011, they set out on a policy of shrinking the Civil Service, right? And they shrunk the Civil Service in a very expensive way. The Principal Auditor that goes backwards and forwards from one year to the next. So, he is doing the 2017-2018 audit, but he suddenly looks back into the past and into the future to see if he can find something else that he can criticise. He never criticises anything that was done by them. What was done by them was that it was very good for the workers and the Union accepted it.

840 They were given a 12% pay rise to move from the Building and Works to the Housing Works Agency. For that movement, that movement entailed that there were different letters on the back of the protective clothing. And that cost 12% more in the payroll.

845 And in addition, the GSD Government introduced a productivity bonus. The productivity bonus was going to allow more Government houses to be repaired because the Union would not object to the use of contractors. So, in exchange for the Union not objecting to the use of contractors, every worker would get an increase of 25% on top of the 12% of the previous salary.

850 So, when the Principal Auditor comes here and does something in this year and complains about how high the pay is or how high the exit package is, he does not bother to go back and find who was responsible for introducing it and how much it cost. I do not know if the Hon. Mr Clinton, as an auditor looking at value for money, would consider that there is value for money in giving a person a pay rise of 37% in order to allow somebody else to do work. But that is what happened.

855 So therefore, it is clear that what the GSD did in Government was that they spent a lot of money to be able to reduce the size of the Housing Works Agency, which was what replaced the Public Works Department. We came in and the people that had been left lobbied us and got Union support for us to allow them to come into that system. Now, the strange thing is that 15 years after this, the Principal Auditor criticises the fact that we allowed people to enter into the system.

860 Okay, so he does not criticise what was done by the GSD. He criticises the fact, I mean, as far as we are concerned, we defend what was done by the GSD because that was their policy, they had the right to make that policy. They thought that in the long run it would save money to use contractors that are paid less than Government workers.

Maybe the price that they paid was too high, but that was the price that they were able to negotiate with the Union to get Union acceptance, right? That has been there since 2011, the 2011-2012, 2012-2013, 2013-2014, 2014-2015, 2015-2016, with the present former auditor in 2015-2016. Nobody, nobody questions anything about that.

865 But you come to the subsequent years and what happens? He questions why we added people to it and says there is something wrong. So there is something wrong, that the GSD does it with 200 workers and we do it with 30 workers.

870 There is something wrong if you do it with 30 workers. And there is nothing wrong if you do it with 200. What is the difference? Who did it? Oh, 200 was the GSD, it cannot be wrong, it is the GSD. Who did the 30?

875 By definition, if the GSD did it, it must be wrong. We did not do anything new; we extended it to more people that had been previously left out. And incidentally, it gave us more benefits, which I will not go into now because I do not think it is in anybody's interest that we spell out the benefits that we derived from that. Maybe if I come across Tony sometime in the street, I will explain it to him.

880 So, you see, these are the examples that colour the legitimacy of what has been put there. And there is no explanation that one can find. And when you look at the exit packages, well look, the exit packages, I do not know whether he used to... approve all the exit packages in the Housing Works Agency. But I can tell the House that the ones that I had in the training centre had to go to him as Principal Auditor for approval. And he was doing the job he was entitled to do, but he was doing it, you know, as far as it was possible to do it. When he was informed by the department that somebody was going to be given an exit package, he said, well, the job cannot be filled. You cannot give an exit package to somebody and fill the job. And we said, no, we are filling it with somebody that is already in the service. It was somebody that was in the car park company. And 885 he said, okay, who is going to fill the vacancy in the car park area? And we said, the department said, no, it is not going to be filled. Okay, I want to know the name of the person, I want to know when he moves, and I want confirmation that it is clear that nobody new is going to be employed. Before I approve the exit package.

890 So, is there anything in his condemnation of exit packages that says that he actually approved the payments? Or was it only in the ones that I am familiar with that he approved the payments? I do not know.

895 But you see, there is another anomaly, and I do not criticise him for doing that, because, okay, if he did not trust the Civil Servants that was telling him what was going to happen, and they wanted confirmation in writing, and they wanted to know the name of the person to make sure that the person existed, that it was not a fake person. And he wanted the date that he moved, and he wanted confirmation from the other end that the position that had been vacated had been closed, and would not be open to recruitment, and it would provide that a lot. And then he signed for the payment to be made.

900 So that is an element that perhaps, if I was not here, and nobody else here would know, because I do not think any of my colleagues would be able to give that explanation, shows that there are things which run counter to what he is saying he is doing. It is not that he suddenly discovered in 2024 that there are exit packages and it is not that he suddenly discovered that people moved from the Housing Department to the Housing Works Agency.

905 This happened in 2012. So how come that in 2024, he criticises what happened in 2012, which has never been criticised by any of his predecessors, why? And if he is in fact consulted and involved in the system, why does he, you know, produce something that for anybody that does not know and have the background, would appear to be that this poor man suddenly, in his audits, comes across this mysterious exercise of exit packages and is shocked by what is going on? It is not true. He is not being 100% truthful.

910 And that is not part of what the Constitution says about being a Principal Auditor. The Principal Auditor should behave in a way where, independent of our political views or our political policies, we consider him to be independent and reliable and honest in everything that he is saying. And if you are saying something that is not correct, because you are not bothered to check at the same time as you are doing that you go and ask the people in the Savings Bank 10 times and you produce 915 20 pages of taped conversations that they need to be able to provide the projects that are financed. Well, look, it was explained that the money that people put in the Savings Bank is not in different pockets. So it was not that there is, if somebody comes along and says, OK, I have got a company that is going to do a development and I need support from the Government, will the Savings Bank buy my loan notes? It is not that they say, wait a minute, we will look into the pocket

920 that has money for economic development and see if there is enough money there. That is not the case. They tell him a number of times that that is not the case. The money is not segregated. So how can you say that people who put the money in that particular product are the ones that are entitled to know? So, what do we do? If he is right, which he is not, but if he is right, what do we do? Do we publish it?

925 Well, then we are publishing it. We are giving the information that is information which is not ours. It is information of the investor that has obtained funding and that information we give it to everybody, to his competitors, to everybody, we make it public. But he is not saying that everybody is entitled. He says we have to make it public because the people who bought the debentures are entitled.

930 So, what do we do? We write to each person that has bought a debenture and tell them, part of your money in the Savings Bank, which you bought, which you provided when you bought the debenture, has now been reinvested in a company that has loan notes. But now we are going to tell the company that has the loan notes to tell us as they go spending that money what they are producing with that money so that we come back and tell you.

935 Because that is what he was asking the Savings Bank Director to do. He was saying to the Savings Bank Director, these people are entitled and this has to be transparent and they have to be given this information. This is nonsense.

He was saying that and saying we make it public. Well, but if you are making it public, then the entire planet is entitled. And you are not telling us that the entire planet is entitled. You are saying
940 only a very small segment. And we tell you that the reason why that was done was very simple. I did that because of the criticism of the hon. Member opposite, the Hon. Mr Clinton, who argued about the reinvestment of the money. And I said, OK, what we will do is to have part of the money identified so that we know that out of the two billion, if we have £200 million, which we do not have the pounds, you know, marked economic development. But we know that there have been
945 investors who have bought Economic Development debentures, which means that they have got no objection to that money finding its way in promoting economic development in Gibraltar. We had already been doing it before.

But I decided to put that in place so that I could satisfy the hon. Member opposite that there were people who were quite content for the money to be ending eventually into the creation of
950 assets in Gibraltar, as opposed to what we have been doing for many years, particularly the GSD years, when the system was changed, and the money went into the UK. So, we have got the money that goes into the UK obviously gets spent by the people who are raising that money by selling low notes in projects.

There is absolutely no way that anybody in UK is going to tell the Savings Bank that they can
955 say to the guy that bought the percentage of the funding. I mean, if somebody has put £10,000 pounds in Economic Debentures, and we lend, we have bought a £500,000, do we have to give him the expenditure of the £500,000 or only of the £10,000 out of the £500? So do we say, well, look, we think the doorknobs of the building are all being bought from the debenture that you bought for £5,000.

960 Because that is what you are entitled, that the Principal Auditor has said, that you and only you, out of the 2 billion funds are entitled to know where your money finishes up. And your money, in your case, has finished up on the doorknobs of a building. This insanity then gets transposed into a campaign of secrecy.

Where is the money? Who is hiding the money? What is the bank doing with my money?
965 Those are the things that we find being said. And the Leader of the Opposition was the first one to say it. Where is the money that has gone into Community Credit Union?

Well, Community Credit Union is an entity that lends money. It has gone in lending money. So now you want to know who they lend it to. And then you want to know what the guy that had the loan bought with that money. But you are not entitled to it. Unless you have, of course, bought
970 an economic development debenture. Which, if you have, then, Madam Speaker, I would be very happy to know that the hon. Leader of the Opposition supports my economic development

debenture. I might even be tempted to try and find which doorknob he bought just because of the happiness of knowing that he supports me.

975 I think that flavour throughout the things and the examples that I have given, and there are more that I could give. But each of the examples that I have given, I am trying to demonstrate in the House that there is a sequence of events. And that what has been identified in the reports for the recent years is not something that did not exist before.

And suddenly manifested itself to the surprise of the Principal Auditor who had never heard of this. It is not true. That is not the case.

980 So it is simply a different approach and a different treatment being put on things that have been happening for a long time and there is no explanation for that because it is not in the area of value for money and it is not in the area of saying that the books are being done correctly. Because he does say they have been done correctly. He does say that he cannot find anything wrong with what the books say.

985 So, Madam Speaker, I think that in a situation like this, to suggest that we are here on the attack is, you know, shifting the onus of responsibility to us. I mean, at one stage, I believe the Leader of the Opposition, if I understood it right, said that because of the time that it took for the audited accounts to appear, they did not know until the accounts appeared what was the final level of expenditure for a financial year. This is not true because when the books are produced, as
990 they have always been produced, the column that tells you the final figure, whether it is audited or not, is the figure that appears in the results audited by the auditor.

So, if the hon. Member looks at the figure for 2016-2017, which appeared two years later, before the audit of the 2016-2017, he will find that the figure in the audit and the figure in the book two years earlier are identical and that the breakdown by department is identical. It is crazy
995 to think that he has to wait for us to bring here a Supplementary Appropriation Bill in order to give legal cover to what has happened two years ago.

There is no risk of us not being able to do it because the money has already been spent, and all we are doing is producing the paperwork retrospectively. Okay, so producing the paperwork retrospectively is not a particularly good thing but it is nowhere as bad as what they did when
1000 they actually changed the entire book. We approved a Budget here where all the authorities and agencies at the back of the book were separate. The GSD then found that they were heading for a situation where their public debt was going to go over 40% of the GDP. So, they came back and they produced a new Budget book than the one we had already voted and the new Budget Book was the one that incorporated all the information that was in the back of the book for all
1005 authorities and agencies into income of the Government and expenditure for the Government.

Having altered totally the size of the Government income and expenditure, they now were no longer in breach of the 40% rule of GDP. So, what do they do? They do that, and you have a situation where the records of Parliament now incorrectly show the revised subsequent, which was done almost two years after the event. Just about in time for the Principal Auditor to produce
1010 an audited account of a book that was not what had been voted by the Parliament in the first place.

That has never been done before by anybody, and that was not criticised. The Principal Auditor happily approved something that was not true because the original Budget approved by this House was a Budget with totally different income and expenditure figures. They approved an audit
1015 of something that was added after the year had passed, the year had finished, and we were at the end of the second year and entering into the third year. No auditor thought that that was wrong or unusual.

So, the fact that something is delayed until we do it here legally does not cause the auditor to have to wait because he does not know what the final figure is going to be, because the final figure
1020 is already in the public domain, in the book, which we do before he has finished his audit. This is the first time an auditor has taken the length of time that he takes and the principal reason for this delay, in my view, is not the one that he says about waiting for the thing to be approved by the Parliament, because he knows there is not going to be any change, there is no question, the

1025 money has already been paid, this is changing history, you cannot change the history, it is real,
there is no way, and you can say that was not the money by saying we do not approve the
supplementary. The reason why he takes so long is because the size of the book.

1030 The two books that he produced in his two audits leave the Encyclopaedia Britannica standing
still. I mean, there must be, if there was a record competition internationally as to who produced
thicker and possibly more nonsensical audited estimates, then he would win the first prize. And
of course, if that is the size and those are the books that have been presented in this House on
these two occasions, only a very small proportion of what is written there actually says what has
happened with the public funds.

1035 And what it says that has happened with the public funds on every occasion is what Parliament
voted should happen. The audited accounts that appear in 2024 and appear in 2025, which relate
to 2017-2018 and 2018-2019 and 2019-2020, right, those are identical to what we already had in
our possession in this Parliament with the numbers. So the numbers are 100% correct.

1040 There is no deviation, right? So what is the size of the book? The size of the book is a running
commentary. And the running commentary is seriously at fault because if it is not biased, at the
very least, it is not, notwithstanding its length, it is not been done thoroughly enough to produce
a balanced picture of the things that it criticises. And I think on that basis, Madam Speaker, we are
more than entitled to come to this House and try and put the record straight. And they will try, of
course, to put the record wrong.

1045

Adjournment

Chief Minister (Hon. F R Picardo): Madam Speaker, after that, *tour de force* of explanation, can
I propose that the House should now adjourn or recess rather until this afternoon at 5 p.m.?

1050 **Madam Speaker:** All right. We will recess until 5 p.m. this afternoon.

The House adjourned at 12.06 p.m.