



PROCEEDINGS OF THE GIBRALTAR PARLIAMENT

AFTERNOON SESSION: 4.31 p.m. – 7.55 p.m.

Gibraltar, Wednesday, 2nd July 2025

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The Gibraltar Parliament

The Parliament met at 4.31 p.m.

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

[CLERK TO THE PARLIAMENT: P A Borge McCarthy Esq *in attendance*]

Appropriation Bill 2025 — Second Reading — Debate continued

Madam Speaker: Yes, the Hon. Mr Feetham.

Minister for Justice, Trade and Industry (Hon. N Feetham): Madam Speaker, I stand before you today delivering my second Budget Address in this Parliament. Madam Speaker, I listened carefully to the Hon. Leader of the Opposition's Budget Address. As is his right, he raised criticism on a number of fronts.

Without intending any disrespect, I indicated across the floor of the House that I would respond briefly to the key points that relate to me. And I now do so before turning to the rest of my address and accepting, without reservation, that the Hon. Leader of the Opposition has an important constitutional role in holding the Government to account. Madam Speaker, the Hon. Chief Minister, in his Budget Address, outlined the £50 million of the circa £60 million in additional Corporate Tax revenue this year arises from what he referred to as an exceptional item.

The Hon. Leader of the Opposition appeared to cast doubt on how tax receipts could be described as exceptional. Let me address that immediately. First, we must be careful not to breach our legal obligation of taxpayer confidentiality.

That necessarily limits how much we can say about operational tax matters. However, what I can say is this. As I have explained repeatedly in this House and publicly, a central pillar of our National Tax Strategy has been the use of compliance enquiries and enforcement interventions.

By expanding our tax compliance and enforcement capacity through methods I have outlined before and will again today, we have generated substantial additional Corporate Tax receipts. It is not rocket science for anyone that understands tax policy. And the Leader of the Opposition should not overly obsess on a single figure such as £50 million at the expense of the full picture.

In other jurisdictions, this is sometimes referred to as addressing the tax gap, the difference between what the tax authority believes is owed and what is actually collected.

Let me pause there if I can, Madam Speaker, because what I have said there, in summary, is what I have actually said in this Chamber on many occasions, Madam Speaker, and indeed I have repeated it outside Parliament. We have set it out in press releases and indeed I have subjected myself to questions from the hon. Members opposite, including in Ministerial statements, Madam Speaker.

But let us say for one moment that the hon. Members opposite did not hear me saying any of what I have said now or indeed expanded upon the Government's National Tax Strategy. Let us suppose that that is the case, Madam Speaker. If that were the case, at the very least, everybody should have been in this Chamber or indeed read the Budget speeches when they were delivered.

And I delivered my Budget speech here in this very Chamber a year ago. And I set out exactly what the National Tax Strategy would be. But let us suppose that nobody heard it.

Let us suppose nobody heard it. Everybody is bored on the subject of tax. Nobody heard it.

40 But, Madam Speaker, I made it a point. On the 3rd of January, in the Gibraltar Chronicle, the front headline news in the Gibraltar Chronicle was *Feetham and Looks Ahead to 2025 Objectives*. And I spelled it out there again. It is marked up here, Madam Speaker, under the title and heading Financial Stability, Madam Speaker.

And what is the result, Madam Speaker? Madam Speaker, the result is the largest single-year transfer of wealth from big business to the public purse in Gibraltar's history.

45 This revenue has protected public services, helped us provide security, and helped stabilise our public finances, all without increasing the burden on ordinary working people. Again, Madam Speaker, we have to pause here now. We've got to pause here now.

The Hon. Chief Minister in his Budget address made the point, a point that I've made both in this House and indeed on many occasions outside this House, that in the last Budget, Madam Speaker, the Government reduced the rates of personal tax, the 2% rate in reduction in personal tax, Madam Speaker. And that was costed, at £18 million. So we started the tax year, Madam Speaker, ignoring the figures that we laid before Parliament this week.

We started the tax year down by £18 million of tax revenues. And to put it into perspective as well, Madam Speaker, if we were to raise, if any Government of Gibraltar today were to raise £50 million, not in the way that we've raised it, and it's not £50 million, it's nearer to £60 million, not in the way that we have raised it, but by increasing personal tax rates, which certainly we haven't done and that we are not contemplating, we would have been required to increase the rate of personal tax in Gibraltar by 6%, Madam Speaker, to have delivered the equivalent, tax result that we have done using our National Tax Strategy. Of course, an increase of 6% in the rate of tax in real terms, Madam Speaker, anybody that understands the difference between the effective and tax in real terms, would have been an increase of 20% or 22% for the ordinary working person. We never did that, Madam Speaker, we never did that.

And we made it absolutely clear that that was not our tax strategy. So therefore, Madam Speaker, by any standard of achievement, this would, in plain English sense, in the plain English sense of the word, be described as truly exceptional. So therefore, when the Chief Minister uses the word exceptional in its technical accounting sense, as he rightly did in his budget address on Monday, from now on I suggest that maybe when the Leader of the Opposition goes before GBC and does an interview, he quotes me, instead of quoting the Chief Minister in a technical sense, exceptional, he should say, this is truly exceptional, Madam Speaker.

70 Madam Speaker, the Hon. Leader of the Opposition says that the Government has been saved by higher Corporate Tax revenue. It is a curious form of criticism to question the classification of revenue. We worked hard to secure it, while at the same time acknowledging its essential role in stabilising our public finances.

Madam Speaker, if success on this scale is called being saved, then I say let us continue saving Gibraltar, because all countries are facing the same challenges, Madam Speaker. I am therefore proud of what we have delivered, and I am confident that the steps we are taking at the Income Tax Office will lead to lasting improvements in compliance, as I will go on to explain. Madam Speaker, as the Hon. Leader of the Opposition reminded the House in his Budget Address, I was indeed in Brussels last week lobbying MEPs for Gibraltar's removal from the EU list.

80 Not the FATF list, Madam Speaker, we were removed from that last year. Under my leadership, as every member of this House well knows, Madam Speaker, the European Commission has since twice confirmed that we should be delisted from their separate list on purely technical grounds. I have explained this position time and again in this House.

I took note, however, that the Hon. Leader of the Opposition, in his Budget Address appeared to criticise my efforts in Brussels. He is entitled to do so, but then my clear and obvious reply is simple. The only ones still attacking Gibraltar on this issue are the *Partido Popular* and Vox, Madam Speaker.

Let's be absolutely clear. They are the ones standing in the way of Gibraltar achieving a fair and rightful outcome. No one else, not the European Commission, not the majority of the European Parliament, except for those clearly acting under political pressure or driven by agendas that have little to do with Gibraltar.

Just them, Madam Speaker, the PP and the Vox. And I have no doubt, Madam Speaker, that every member of this House will join me in rejecting every single falsehood uttered by the Vox MEP in the European Parliament on Monday evening when the European Commission once again robustly defended Gibraltar's case and not just her final, despicable words "*Gibraltar Español*", Madam Speaker. Let me throw that back at her, "*porque esa mujer no tiene verguenza*", Madam Speaker, and that is the reality.

And she needs to be told from here in our Parliament so that she can hear it loud and clear, Madam Speaker. With that, Madam Speaker, I return to the rest of my address. I will provide an overview of some of the work and initiatives we have been delivering through my ministries, a portfolio that includes: Taxation; Financial Services; Gaming; and Justice.

I would like to reflect on the strong foundations we have built since taking office, which includes: strengthening the public finances of Gibraltar through our tax work; strengthening Financial Services and gaming sectors by forging closer ties with the industry and regulators; reinforcing Gibraltar's global standing in anti-money laundering by enhancing sanctions legislation; introducing unexplained wealth orders; increasing resources for law enforcement; and advancing compliance post-FATF whitelisting. Supporting local business growth and workforce development through active outreach by engaging with industry and facilitating student placement schemes and youth employment initiatives through my Connect hub, enhancing enforcement efforts by providing the necessary support and training to the Economic Crime Unit and HM Customs Investigation Branch, thus ensuring that our enforcement systems remain properly resourced.

Madam Speaker, first of all I would like to turn to my Tax ministry, one of my key portfolios. Since taking office I have dedicated a considerable amount of time and effort to working closely with my team on tax matters, given the critical link between optimising tax revenue and ensuring sustainable economic stability and financial prosperity.

Madam Speaker, as I have said repeatedly in this House, tax revenues are vital. It remains the single largest source of Government funding, accounting for over half of all recurring revenue in 2024/2025. Tax revenues are the lifeblood of all Governments and without it we cannot fund essential public services or invest in critical infrastructure. It also lays the foundation for our nation's macroeconomic future, not just for today but for generations to come.

Madam Speaker, the total tax revenue collected for 2024/2025 stands at £474 million. This is a historic milestone. The highest level of tax revenue Gibraltar has recorded in over four decades, truly one for the record books. This record-breaking figure includes £262 million in personal income tax and £212 million in Corporate Tax.

At this stage, Madam Speaker, I would like to pause because I've got a chart here, Madam Speaker, that I've put together and I bear for your indulgence.

I've put a chart here together that tracks 16 years of Corporate Tax collection. What I call, Madam Speaker, the big, beautiful chart. Because this is a big, beautiful chart, Madam Speaker.

I mean, I'll hold it here in front of the cameras, in front of everybody. The Hon. Chief Minister can see that during his time in office, Madam Speaker, tax revenue has increased considerably. Look at the peak here. Look at the peak this year. Look at the peak this year in tax. A huge peak in tax revenue.

But of course, you've got to look at both sides of the chart. And I've just made it a point of showing the Chief Minister because at the beginning of the chart, we have the tax years 2009/2010. 2010/2011, it's flat. It's flat, Madam Speaker. Just over £25 million. £28 million, to be precise.

140 A difference of over 600% between what was happening here and what is happening here today, Madam Speaker. And I think the point needs to be made, and it needs to be made emphatically.

Madam Speaker, let me be clear. This surge in tax revenue has not come from increasing the burden on working people. On the contrary, we lowered personal tax rates in the last Budget.
145 What we are now seeing is the result of big businesses contributing their fair share to the public purse.

We have not only met, but significantly surpassed the forecasts set out in our budgetary estimates. Madam Speaker, to my knowledge, the Corporate Tax yield, Gibraltar, has never at any point in our history reached anywhere near these levels. Another unprecedented achievement.

150 Indeed, the figures reveal a striking 37% increase in Corporate Tax revenues when compared to the previous financial year. This speaks volumes for the effectiveness of our National Tax Strategy, one that I have previously explained in this House. Madam Speaker, these outstanding results are no accident.

They are the product of a well-designed and carefully implemented policy. Nor are these numbers just statistics. They reflect a huge amount of work.
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But Madam Speaker, we cannot rest on these achievements. Our ongoing National Strategy will focus on optimising revenue through enhanced compliance, rigorous enforcement and greater cross-Government collaboration. Fiscal discipline must also remain at the core of our approach.

160 It is essential not only for ensuring the sustainability of our economy today, but also for safeguarding the well-being of future generations. Madam Speaker, hon. Members will recall the recruitment initiative launched last year when we recruited two Senior tax professionals to the Income Tax Office. Building on that momentum, we have further strengthened the team this year with the recruitment of two tax analysts.

165 This is how we build sustainable success. Through smart investment in expertise, through strategic resourcing and through a clear results-driven vision for the future of our tax system. Madam Speaker, when we embarked on the National Tax Strategy, the situation was troubling.

We were facing a decline in tax contributions from big businesses alongside a dramatic increase in reported tax losses. From over £2 billion when I first raised this matter in this House to over £9 billion when we introduced corrective legislation. So therefore, when I heard the Hon. Leader of the Opposition, the GBC, I think almost suggesting that the Government's performance in terms of the tax revenues was by accident, that this was because companies had made more profitability than ever and nothing that the Government did was in any way linked to the underlying fiscal results. Nothing could be further away from the truth. And I think the Leader of the Opposition,
175 the Hon. Leader of the Opposition, deep down knows that I am right in saying that, Madam Speaker.

And there's another chart here I would like to quickly, if I can, Madam Speaker, look at. This one is a tracker, a monthly tracker of Corporate Tax receipts. And you will see, Madam Speaker, that in this tracker, and I think the Hon. Mr Clinton would have something similar because he does ask questions in Parliament, so he would have seen what I saw and what the Chief Minister saw when we were obviously devising and developing and as the National Tax Strategy was evolving, that the tax receipts last year, the last financial year, for the first six months, Madam Speaker, were below the Corporate Tax receipts that we had received the year before. So we had the additional urgency, Madam Speaker, of ensuring that we protected the financial stability of Gibraltar with the work that we did.
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And to put it into perspective, Madam Speaker, at the halfway point in September last year, we were down, in terms of Corporate Tax receipts, we were down, Madam Speaker, by a significant amount, £26.3 million, a 30.5% reduction in tax revenues. But of course, anyone that understands tax and understands tax policy, would know, Madam Speaker, that there's always a lag between compliance and intervention and the underlying tax receipts that reflect the work
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that is ongoing and being done. So certainly this Government and the Government, the Chief Minister mandated me to run with this.

We did not rest on our laurels, Madam Speaker. We did not rest on our laurels and we produced the right results for the people of Gibraltar. And even more concerning, Madam Speaker, was the growing perception among some that paying Corporate Tax was optional rather than a legal obligation.

And I've said it on a number of occasions here when I've been asked questions by the hon. Members opposite and I've said tax is not voluntary and I've emphatically used the words tax is not voluntary. I've done countless speeches at every available forum to remind people that tax is not optional, that there is a legal obligation to pay tax. And therefore, Madam Speaker, we stood at a critical crossroad and in response we took firm and decisive action.

The results made public now speak for themselves and we have achieved these results precisely at the right moment. At a time when, like every other country, demands on public expenditure continue to grow across key areas such as Healthcare, Education and Infrastructure. We are fostering a change in taxpayer behaviour and one that emphasises that businesses operating from Gibraltar and generating substantial profits here have a duty to contribute fairly to the public purse.

And, Madam Speaker, we are now prepared to advance into the next phase of our National Tax Strategy. So, if anybody wants to listen to this part of the speech, I will say it now. And therefore, next year perhaps we wouldn't make the mistakes that have been made blatantly in this Budget the speech at the earlier start of the hon. Member's contribution in this House.

It focusses on the practical implementation of the legislative and policy measures we have previously introduced. It targets the identification and closure of existing loopholes and looks to tighten our safeguards against both tax avoidance and indeed tax evasion. While tax planning within the boundaries of the law is legitimate, aggressive tax avoidance and deliberate evasion represents a serious threat to the credibility and effectiveness of any tax system.

Moreover, Madam Speaker, it ensures that Government revenue is protected and optimised. Revenue that is vital for sustaining public services, investing in infrastructure and driving national development. This next step follows the publication of the Bill on 10 April 2025.

Madam Speaker, this Bill which we expect to formally lay before Parliament in the coming weeks, perhaps as soon as next week, introduces significant revisions to the anti-tax avoidance provisions in our tax legislation. These changes reflect both the evolving nature of international tax planning and the need to ensure that Gibraltar's legal framework stays robust, responsive and future-proof. We are also enhancing inter-agency collaboration, a cornerstone of effective tax administration.

Following our MOU with the Gambling Division in 2024, we have now formalised further agreements with the Gibraltar Financial Services Commission and the Gibraltar Financial Intelligence Unit. These partnerships align regulatory and enforcement frameworks and support coordinated oversight across sectors. This is not just administrative housekeeping, it is strategic.

It strengthens our capacity to protect the tax base and ensures that the system is both fair and effective. Madam Speaker, looking ahead, I am pleased to report that the Income Tax Office is making strong progress on a number of strategic priorities aimed at modernising our tax system and reinforcing Gibraltar's fiscal foundations. The work carried out, particularly at an international level, is extensive and commendable.

And while I would like to elaborate further, time does not permit a full account in this Budget address. What I can say, Madam Speaker, is that the coming years promise to be transformational. The Income Tax Office is on a clear path to becoming a modern, data-driven authority, fit for the future and ready to meet the evolving needs of our economy.

Madam Speaker, I am proud of the progress made, but I must also issue a clear word of caution. Tax revenues are not a bottomless pit. While this year's results are historic, they may not be repeated.

Economic cycles shift. Global headwinds persist. The sustainability of these revenues depend on continued compliance, prudent management and, when necessary, tough choices may need to be made.

Madam Speaker, these are not challenges unique to Gibraltar. Across the world, Governments are grappling with the same dilemma and faced with limited options. In many cases, that debate is leading towards higher tax rates.

We have done the opposite. We lowered personal tax rates at the last Budget. And of course, Madam Speaker, tax revenues do not grow on trees.

There is no magic formula. And there is certainly no guarantee that introducing new or higher taxes would automatically yield the same level of revenues. One need only look at the fiscal debates currently unfolding in the United States and in the United Kingdom to see the complexity and indeed the consequences of getting the balance wrong, Madam Speaker.

I am obsessed, Madam Speaker, with the Laffer curve. For those of you who haven't heard it or may have heard it, I will repeat it here today. Arthur Laffer was an economist and in the 1970s he articulated the theory that tax revenues and tax rates could decrease or increase depending on where it fell in the curve, the Laffer curve.

And at both ends, the outcome is clear cut. The outcome is clear cut and it's finding where you can optimise the exact tax rate to maximise the tax revenues, which I think is exactly what we have done, certainly shown from the experience and the results in this Budget. So at both extremes, if your tax rate is zero, your tax revenues are zero.

That's logical. If your tax rate is 100%, then again your tax revenue will be zero because nobody will work, because obviously there is no economic gain from conducting any economic activity. I am obsessed by that and I am obsessed in ensuring that we actually take the right decisions at the right time and I think it is amply demonstrated by the actions that the Government has taken and the legislation that we have introduced in this House in the last 15 months and I think we have got it right compared to other jurisdictions.

But look at the chaos in other countries and I have only mentioned two. I have mentioned the United States of America and I have mentioned the United Kingdom. Of course, Arthur Laffer wasn't the first proponent of the theory.

The theory was first put forward by an Islamic scholar over 600 years ago, Ibn Khaldun, who said in his most famous works that at the beginning of the Empire, the tax revenues were high because the tax rates were low and towards the end of the Empire, when the Empire was in decline, the tax rates were high and therefore the tax revenues were low. Madam Speaker, it is precisely for this reason that we must act with foresight and discipline. Let us celebrate the success today, yes, but let us not mistake it for permanence.

Finally, it would be remiss of me if I did not take this opportunity to express my deepest gratitude to the exceptional team at the Income Tax Office, led by the Commissioner of Income Tax, John Lester, and very ably supported by his deputy, Julian Baldachino. Their professionalism, dedication and hard work is helping to shape a tax system that works not just for today, but for generations to come.

Turning to Financial Services, Madam Speaker, it has been another year of significant change for the team at what has historically been known as Gibraltar Finance, which I will refer going forward as the Finance Centre Department.

This year we said goodbye to Paul Astengo, Senior Executive, following many years of dedicated service to Gibraltar Finance. I would like to thank Paul for his contributions, most notably in the development of Gibraltar's distributed ledger technologies strategies. At the same time, Mr. Julian Baldachino has been redesignated to discharge the statutory duties of Finance Centre Director, bringing both continuity and renewed focus in the team's leadership. We have also welcomed Mr. Charles Alvellano and Ms. Kelly Lima, who joined us from the Civil Service and bring a strong background in public administration. They will be working closely alongside Ms. Emma Zammit, Senior Executive, as well as providing support to strategic initiatives in other

ministries. The Government has appointed a new team of administrative staff members to the Department.

The three Executive Offices are responsible for managing day-to-day tasks in respect of Category 2 and HEPSS applications, as well as the administration of the Ultimate Beneficial Ownership Register. The Government is investing in recruitment and development of skilled personnel from within the Civil Service. The recent reorganisation and appointments represent a significant shift towards building internal capacity, with Civil Servants increasingly contributing to the Ministry's operational leadership and strategic delivery.

This approach has also resulted in cumulative savings of £681,000 in staff costs within the Finance Centre Department. On the revenue side, the total income received by Gibraltar Finance under the sub-head 'other charges' in the financial year 2024/2025 stands at over £1,084,900. To place this in context between the financial year 2011/2012 and the financial year 2024/2025, the cumulative total revenue under this same sub-head is just over £11 million and approximately 75% of that amount has been generated since I took Office on 13 October 2023.

In the financial year 2024/2025, the Financial Services sector contributed significant levels of PAYE, £24.5 million, and corporate income tax of £43.5 million. The last financial year has been one of delivery, reform and progress for Gibraltar's Financial Services sector. I am proud to report that our jurisdiction has continued to advance its reputation as a well-regulated, responsive and innovative financial centre.

The inaugural Gibraltar Finance Summit in February last financial year was a resounding success. The all-day event at the Sunborn brought together Government officials, industry leaders and regulators for their first time in Gibraltar. I was also delighted to welcome the hon. Shadow Minister for Financial Services, Mr Clinton.

The idea was to provide a space for open discussions about the industry, what changes we should be considering. My intention was to facilitate dialogue which centred on topics related to competitiveness, regulation and youth involvement. Getting everyone in the local sector into the same room with representatives of the Government, private companies and regulators was indeed an invaluable experience.

It was a moment of reflection, an ambition, a recognition that maintaining a competitive edge will require both introspection and indeed collaboration. The ideas and recommendations from the Summit are being carefully considered as part of our ongoing policy development. It is our intention to make this a recurring event, ensuring that Gibraltar's evolution as a financial centre is guided not only by Government vision, but also by the insight and experience of those who drive its day-to-day success.

Madam Speaker, the Government remains steadfast in its objective to support economic growth across all sectors, particularly those requiring speed to market, while balancing this with the Government's obligation to prudently manage public finances. Madam Speaker, I would like to record my sincere thanks to the Gibraltar Financial Services Commission for their professionalism and indeed dedication. I work closely with the CEO, Mr Kerry Blight, and his team of young and talented individuals, including Julian Saccarello, Jamie Triay Clarence, Julian Warrick and Justin Montovio, whose energy and diligence have been instrumental in supporting our policy agenda.

This work is essential in progressing the Gibraltar Authorisation Regime, the GAR, which secures our access to the UK market. It is a complex but vital initiative requiring continuous legal and regulatory review. I thank the FSE team, our colleagues in His Majesty's Treasury and the wider Financial Services industry for their invaluable input.

Madam Speaker, our economic growth continues to be underpinned by hard work and innovation in Gibraltar's financial sector. I am encouraged by a rising number of firms choosing Gibraltar as their jurisdiction of choice, drawn by our regulatory quality, legal certainty and access to the UK market. We remain committed to supporting these firms through both legislative clarity and a skilled local workforce.

345 Madam Speaker, Gibraltar's future depends not just on internal reform but also on strong external partnerships, particularly with the UK. Over the past year, we have deepened our engagement with UK Government departments and regulatory bodies. These relationships underpin our work in areas such as market access, digital innovation and the fight against financial crime.

350 In April this year, I was invited to speak on a panel at the Commonwealth Trade and Investment Summit. The event was showcased to a global audience and it provided a fantastic opportunity to present Gibraltar's strengths as a forward-looking, well-regulated finance centre. Our participation in such events is not merely symbolic.

It is a statement of our intent to remain visible, vocal and valued on the international stage.
355 Madam Speaker, in addition to our legislative and regulatory reforms, I wish to highlight my Ministry's work in deepening engagement with Gibraltar's financial and gaming sectors through a comprehensive outreach programme. Over the past year, the Ministry has undertaken numerous visits to companies across Gibraltar, including banks, accountancy firms, online gaming companies, insurance firms, investment entities, DLT providers and Companies' House.

360 This broad and inclusive approach reflects our recognition that the strength of our economy lies not only in policy alone, but in a lived reality of those who operate within our regulatory framework every day. These visits have been invaluable to the Ministry. They have given us detailed insight into operational priorities, concerns and ambitions of Gibraltar's financial sectors.

They have also allowed us to identify emerging trends and address industry-specific issues in a
365 timely and informed manner.

Madam Speaker, as we announced last year, the Travel Scheme for Eligible Elderly Resident Citizens was successfully launched on 6 March 2024, providing an essential solution for elderly citizens who face challenges in securing travel insurance. As of today, the scheme has recorded 3,118 registrations.

370 This shows a continuous strong uptake and highlights its ongoing popularity within our community. I would like to express my gratitude to Mr Kayron Cano, Senior Project Manager, for the excellent work he has done in assisting me with the implementation of the scheme and for the work he is also doing in delivering other strategic initiatives. Madam Speaker, in supporting the long-term sustainability of our financial sectors, we must invest not only in policy, but also in
375 people.

That is why youth engagement has become a growing focus of our work at the Ministry. Over the past year, we have hosted several targeted events driven by the Connect Hub, welcoming students from across Gibraltar schools and higher education pathways. These sessions have given young people the opportunity to learn about the Finance Centre, meet professionals working in
380 the industry and explore the wide range of careers available within our sectors.

To date, we have successfully conducted seven workshops. The sessions have covered diverse topics ranging from banking, cryptocurrency and actuarial science to compliance and insurance. Further workshops are currently being planned to continue this momentum.

In addition to these knowledge-sharing initiatives, the Connect Hub has facilitated valuable
385 internship placements, both within the private sector and the Finance Centre itself. These placements provide our young people with vital practical experience, helping them make informed decisions about their future careers. Some of these students have since gone on to participate in local industry events, which I have invited them to attend.

I am pleased to report that a number have since secured employment within Gibraltar's
390 Financial Services sector. This is a clear demonstration of how direct engagement and exposure can lead to real-world outcomes for young people. With the summer period before us, we are actively liaising with industry partners to further expand internships and summer job opportunities for young people.

These efforts reflect our ongoing commitment to supporting youth career development
395 through meaningful and sustained collaboration with the private sector and relevant institutions. I can say, Madam Speaker, that my Ministry has already taken four students for a summer

placement at the Ministry. This work will continue. We are committed to ensuring that the next generation sees opportunity, purpose and ambition in Gibraltar, and that they are given the tools and encouragement to be part of it.

400 Madam Speaker, we are delivering several strategic initiatives that reflect our ambition to keep Gibraltar at the forefront of global Financial Services. This year, we will be working closely with the industry to consider what reforms and enhancements of the Category 2 and HEPSS tax status are necessary to ensure that the regime remains both competitive and compliant with international standards, reinforcing our status as a responsible and attractive jurisdiction for high net worth individuals.

405 We will also prioritise the growth and development of family offices as part of our broader Financial Services strategy. Gibraltar's regulatory stability, legal clarity and trusted Financial Services environment are all key factors in its increasing attractiveness for multi-generational wealth management and estate planning structures. We have taken a bold and focused step with the introduction of Gibraltar's new Digital Clearing and Settlement Framework.

410 This innovative framework allows for the secure, regulated, real-time clearing and settlement of digital assets and is the first of its kind globally. It represents a landmark achievement for our jurisdiction, one that positions us at the cutting edge of global digital finance and further enhances our reputation for regulatory innovation. Moreover, we have continued to advance our work in line with our MoneyVal commitments, particularly around transparency and accessibility of corporate information.

415 The Ministry has led the way in making the necessary enhancements to our ultimate beneficial ownership (UBO register), ensuring it continues to meet international standards. Gibraltar was one of the first jurisdictions in the world to introduce a UBO register and we remain committed to maintaining its integrity and functionality. This work not only reflects our compliance with global expectations but also our determination to provide a model of best practise for others to follow.

Taken together, these reforms, initiatives and engagements form a coherent and ambitious agenda, one that reaffirms this Government's commitment to a dynamic, competitive, resilient Financial Services sector. We continue to look ahead with determination and with a clear sense of purpose to protect Gibraltar's strengths, pursue new opportunities and deliver a prosperous future for our people. I would like to thank Mr Jonathan Bracken for the legal drafting work he does for the Government.

425 His knowledge of our Financial Services legislation is second to none and I am very grateful to him for his excellent work. I would like to also thank Mrs Emma Zammit, Ms Kelly Lima and Mr Charles Avellano and the rest of the team at the Finance Centre Department for their continued support. Finally, Madam Speaker, before I turn to gaming, I would like to thank the Finance Centre Council and the various working groups for their time and commitment.

435 Madam Speaker, I now turn to the gambling sector. The Gambling Division continues to deliver significant value for money. The Division has 10 staff, including the Gambling Commissioner, and whilst regulating a sector that provides more than 20% of the jurisdiction's GDP, operates on a budget of £850,000.

There is currently a project in development to start digitalising licencing and regulatory processes. Whilst this will mean some investment in new technology systems, it is not envisaged that the implementation of a new Gambling Act will require significantly more staffing. Albeit there may be a need to a modest uplift in resources, at least to support the transition process.

440 Direct revenue in terms of gambling duties and licence fees for Financial Services 2024/2025 was £16,624,340.48 and there were additional regulatory settlements totalling £90,000. Madam Speaker, in the financial year 2024/2025, the gaming sector contributed significant levels of PAYE of £40 million and corporate income tax of £110 million.

445 As part of my ministerial responsibilities, I have promoted a closer working relationship between the Income Tax Office and the Gambling Division, resulting in a Memorandum of Understanding between the respective Commissioners.

450 This year, a new process was introduced as part of the annual Licence Certificate Renewal Procedure, requiring operators to produce a Certificate of Good Standing both from the Tax Office and Companies House. This measure serves as an early indicator of broader non-compliance issues and has already contributed to improved adherence to tax and other statutory obligations. Additionally, it enhances assurance regarding the prudential standing and governance standards of licenced operators.

455 Many of our licensees have complex cross-jurisdictional corporate structures and there is a need to understand the implications of these structures from both a tax and regulatory perspective. Therefore, cross-Governmental contact between the Income Tax Office, Companies House, UBO register etc. brings benefit to the jurisdiction.

460 Despite ongoing challenges, the online gambling sector continues to demonstrate strong growth. In Gibraltar, we have 54 operators holding 83 licences, 49, B2C and 34, B2B. The sector, which is multi-jurisdictional, is facing increasing regulatory and tax pressures in many jurisdictions, including in the UK.

465 There continues to be market consolidation and many gambling businesses are increasingly looking towards automation, harnessing AI developments and bearing down on costs. Merger and acquisition deals, particularly the merger of 888 and William Hill and the rationalisation of other large businesses, has meant that sector employee numbers have reduced to around 3,280 according to the latest figures.

470 We have also seen an acceleration of jurisdictions moving to create domestic regulatory regimes for online gambling, for example Brazil. Unlike some territories, we have taken a position that if a jurisdiction offers an open market and non-discriminatory licencing regime, we expect our operators to apply for those licences. This has the effect of customers moving off the Gibraltar licence and therefore reducing tax yield, but it is the responsible approach to take.

475 In this context, there has been some inaccurate press reports that Gibraltar-based gambling operators have been involved in illegal gambling supply into Spain. Nothing could be further from the truth.

Pre-Brexit and Spanish licencing, our operators did supply gambling services in Spain under the fundamental EU freedoms. This is now not the case and operators have taken Spanish licences issued by the *Dirección General de Ordenación del Juego* and some have based their Spanish businesses only in Ceuta and Melilla.

480 None of the operators that have been fined or banned by the Spanish regulator for illegal gambling are Gibraltar-based firms and there has been no contact from the Spanish authorities and there is no intelligence about any illegal Spanish-facing websites being operated from Gibraltar. Indeed, if there were, it would be an offence and we would move to investigate. Commentary on this issue from certain Spanish sources, at the very least, is ill-informed.

485 I am pleased to report that the Gambling Bill has been Gazetted and published and is due to be debated by Parliament after the summer break. Subject to Parliamentary approval, it is proposed that the Act will come into force on 1 October 2025 with a transitional period of six months. Existing licensees will be grandfathered into the new regime and all individuals and other businesses that fall within the scope of licencing will be licenced by the end of March 2026.

490 I know, Madam Speaker, that there is a lot of work being done in the background by the Gambling Division. I want to convey my thanks to the Gambling Commissioner and all of the Gambling Division team for their efforts in getting this important legislation done and for the efficient and diligent work they carry out, both in licencing and other regulatory areas. I also want to thank Sir Peter Caruana KC, Peter Montegriffo KC, Peter Isola and Albert Isola on the very valuable advice they have provided me and the Gambling Commissioner on the new Gambling Bill.

495 Madam Speaker, I now turn to justice. I start with the Government Law Offices (GLO) and the Office of Criminal Prosecutions and Litigation. Madam Speaker, the team at the OCPL, aside from dealing with its key function of prosecuting crime at all levels of court, has been involved in and providing input and expertise in various areas where policy and legislative amendments have or

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are currently being considered by the Ministry of Justice, such as domestic abuse and the use of conditional cautions by way of example.

Aside from their work in the courts, the OCPL continue to work on several projects in the ongoing and continuing MoneyVal process. The Department has, as part of the GLO, recently conducted a cost-saving exercise on its library and expects to substantially reduce its costs this coming year, whilst at the same time maximising the online services available to its Crown Counsel. The OCPL has started once again compiling statistics in terms of all criminal prosecutions and outcomes in the Supreme Court commencing for the year 2024 and the Magistrates' Court commencing for the year 2025.

This has recommenced with a view to identifying trends and informing the needs of the Department and the criminal justice system. Madam Speaker, in the last 12 months, the Government has published 25 bills dealing with varied areas including crime, Financial Services, proceeds of crime, sanctions and tax. Since the last Budget, around 133 legal notices have been published.

The team at the GLO have also been tirelessly working on the extension of numerous international conventions to Gibraltar. These include the vital Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds of Crime under the Financing of Terrorism of 2005, otherwise known as the Warsaw Convention, and the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds of Crime of 1990, otherwise known as the Strasbourg Convention. These, for example, required six separate orders to be made and prepared to deal with different forms of requests and investigations.

This team is also progressing extension of other conventions, including on legal assistance with the Kingdom of Morocco, the rights of the child and the enforcement of judgments. Madam Speaker, an important addition to our enforcement framework has been the introduction of the Unexplained Wealth Orders (UWO) under the Proceeds of Crime 2015. UWOs serve as a powerful tool to obtain information that may support civil recovery, assist ongoing investigations or disrupt serious criminal activity, particularly where assets are suspected to have been acquired through illicit means.

To support the effective use of the UWOs, a code of practise has also been published, ensuring that these powers are exercised in a manner that respects legal privilege, privacy rights and procedural fairness, enhancing public confidence in the new regime.

A Bill concerning investigatory powers is now in its final stages and will be brought before Parliament later this year. This legislation proposes the adaptation of the UK's legal framework, governing the use of covert surveillance by public authorities, law enforcement and intelligence services.

It follows extensive work in collaboration with the Office of the Hon. Chief Minister, the Office of the Governor, the Office of the Attorney General, the RGP, HM Customs and with expert input from the UK's former independent reviewer of terrorism legislation, Lord David Anderson of Ipswich KBE KC. Notwithstanding a significant and sustained volume of work, the Gibraltar Court Service continues to operate with dedication and professionalism in support of our judiciary, playing a vital role in ensuring the delivery of a timely and efficient justice system that is accessible to all. At the same time, the Court Service remains firmly committed to excellence, consistently striving to provide court users with a high standard of service.

The daily task of ensuring that three, four or even five or six courts are in session from 10 o'clock in the morning, while simultaneously maintaining fully operational back-office functions and public-facing counters, represents a considerable logistical and operational challenge. This achievement stands as a clear testament to the hard work, commitment and dedication of the entire court's team, ensuring that such a level of service is achieved day in and day out.

As Minister for Justice, I will continue to work closely with Ms Hazel Gumbo, the Chief Executive of the Gibraltar Court Service, to ensure that the court's back-office administration is properly resourced. My thanks to Ms Cumbo and her team.

Madam Speaker, in respect of His Majesty's Prison, I am happy to report that there have been no major incidents or disturbances reported to me as Minister for Justice. In 2024, there were a total of 103 admissions, consisting of 92 male prisoners and 11 female prisoners - nine of the male prisoners were immigration detainees who were later seen out of the jurisdiction.

The average monthly population figures for the last financial year stood at 31 prisoners. Once again, no juvenile admissions were recorded.

With regards to rehabilitation, the Prison continues to benefit from the dedicated efforts of professionals who deliver a diverse range of programmes aimed at assisting offenders in breaking the cycle of re-offending and re-integrating as productive members of society.

Madam Speaker, the facilities at HMP are well utilised, with 37% of inmates attending educational classes, 63% using the gymnasium and 39% participating in handicraft programmes. Regular counselling sessions and spiritual support from visiting religious denominations further contribute to inmate welfare.

The Prison Board plays a vital oversight role through regular inspections and engagement with prison management, ensuring fair treatment and consideration on inmate concerns. The Government extends its gratitude for their dedicated service. Prison management remains committed to its core principles, ensuring safety and humane treatment of inmates, fostering self-respect and supporting rehabilitation aimed at reducing re-offending upon release.

I would like to thank the Prison Superintendent, Nigel Gaetto, and his team. I also want to thank all members of the Prison Board for their time and tremendous work they do. Madam Speaker, the Probation Team continues to support Gibraltar's courts, prisons and community by working with stakeholders to assist individuals with complex needs and reduce re-offending.

In the past year, the team has strengthened its ties with the Community Justice Overseas Territories Network and attended the first Overseas Territories Probation Conference in London, promoting collaboration and sharing best practises. They also participated in the NUTA Conference in Belfast, focussing on the prevention of sexual abuse and violence. The team received further training in risk assessment and plays a key role in the multi-agency management of sex offenders. This work is supported by professional supervision and inter-agency collaboration.

Madam Speaker, I would like to welcome Ms Charlotte Briggs as the new Community Service Officer. Since she was appointed, she has managed over 5,000 hours of unpaid work orders since August 2023. The Service has submitted 110 pre-sentence reports and is currently supervising 40 individuals under parole or court orders.

My thanks to Desmond Bell, Ms Jessica Perez and Ms Charlotte Briggs, who run our Probation and Community Service.

Madam Speaker, I now turn to the Royal Gibraltar Police. The former Commissioner of Police, Mr Richard Ullger, retired in March this year after 37 years of service. I would like to take this opportunity to thank Mr Ullger for his many years of service. I would equally like to thank Acting Commissioner Cathal Yeats, who will also be retiring this year.

Following a competitive recruitment process on 2 April 2025, His Excellency the Governor, acting on the advice of the Gibraltar Police Authority, appointed Mr Owain Richards as the new Commissioner of the Royal Gibraltar Police. Mr Richards has taken up his appointment on 1 July for an initial tenure of four years. I welcome Mr Richards to his new role - I very much look forward to working with him.

The RGP Public Protection Unit will soon be moving to new dedicated offices. This will allow them to meet with vulnerable victims and witnesses in a discreet location, away from New Mole House Police Station.

It is hoped that the office can be expanded to include key safeguarding partners in the future, to allow for a holistic approach to protecting the most vulnerable in our community. By working closer together, the RGP and partner agencies can be both more efficient and effective in keeping Gibraltar safe. 2025 saw the RGP civilianise key support roles within our policing service.

This has been a vital step in streamlining resources and ensuring Police Officers can focus on frontline duties. Nine new civilian command and dispatch officers successfully completed an intensive six-week training course. Throughout this programme, they have been taught de-escalation techniques and active listening skills, and have received training on the criminal offences they are most likely to encounter in the control room.

Having now taken up their posts on shift, each officer will be mentored in their role, shadowing experienced Police Officers in the control room before working independently. In parallel, we have recruited five civilian detention officers who are currently on a five-week training course. They will be taught first aid at work, public and personal safety training, and the key legislation governing the treatment of detained persons. By civilianising these roles, Police Officers formally fulfilling these roles will be redeployed where they can be and have the greatest impact in keeping our community safe.

During the financial year 2024/2025, we witnessed significant investment in the professional development of our Police Officers, reaffirming the Forces' commitment to public safety and excellence in policing. During 2025, collaboration between the Royal Gibraltar Police and HM Customs has continued, with joint training initiatives focussing on financial crime, cryptocurrency and money laundering investigations.

This programme is enhancing officers' capabilities in addressing complex economic crimes and aligning our practises with international standards. Such investment in specialist training reflects a strategic commitment to ensuring Gibraltar's security. Madam Speaker, the RGP aims to run consecutive training schools in an effort to restore the Force to full operational strength.

The recruitment process for the next intake is nearing completion, with a training course scheduled to commence on 30 June 2025 and conclude in December 2025. Concurrently, the RGP will be processing applications for the next intake, which is currently planned to begin in January 2026.

In collaboration with the HeForShe collective and Women in Policing Network, the RGP remains committed in attracting a diverse pool of candidates that reflects the community it serves.

To enhance frontline response capacity, the RGP has initiated a trial of a new operational structure. Under this system, the existing five response teams have been consolidated into four, each operating on a 12-hour shift pattern. This reorganisation has increased the number of Police Officers per shift, without diverting resources from other areas of policing.

By distributing the workload across a larger team, the initiative aims to mitigate officer burnout and reduce reliance on overtime to address staffing gaps. The changes have been implemented in consultation with the Gibraltar Police Federation and are consistent with the RGP's recruitment strategy. Once the Force reaches its full staffing complement, it is anticipated that officers will be reallocated to support other key areas of policing.

Resource deployment continues to be guided by regular assessments using established tools and in accordance with college policing standards and UK best practise. I would like to thank the senior command team and all Police Officers and support staff at the RGP. My thanks to Mr Callum Bruce and Mr Lee Posso from the Gibraltar Police Federation for their advice and constructive engagement.

Madam Speaker, economic and financial crime is an emerging global threat and it is vital that our law enforcement partners are equipped to detect, investigate and disrupt illicit financial activities. In my Budget Address last year, I have noted that a Crown Counsel has been recruited into the Economic Crime Unit to assist in their work as well as specialised financial investigators. This, I noted, was in addition to the RGP's complement of Police Officers.

HM Customs' Financial Investigation Branch has also benefited from the Crown Counsel at the ECU being a shared resource. This has allowed the sharing of best practise amongst the Royal Gibraltar Police and HM Customs. Since assuming Office and throughout the past financial year, my efforts have been directed towards enhancing inter-agency collaboration and dismantling operational silos.

A key priority has also been the capacity building of relevant units. In this regard, officers have undergone specialist training in areas such as crypto-asset disputes, recovery and tracing. Additionally, they completed an intensive two-week programme focused on investigating economic crime, focused on money laundering in particular and delivered by two leading UK-based consultancy firms with expertise in policing and investigations.

This training has been supplanted by sanctions-related instruction co-ordinated through my Ministry as well as specialist sessions facilitated by the Gibraltar Financial Intelligence Unit. These sessions have addressed critical topics including human trafficking, proliferation of financing and other emerging threats. All training initiatives, along with opportunities for international collaboration and networking, are made possible through various channels.

These include support from my Ministry, individual budgetary allocations within the law enforcement agencies and most notably the Gibraltar Recovered Asset Fund, otherwise known as the GRAF. Established in 2023 by this Government, the GRAF is a dedicated fund created to collect and manage assets recovered under economic crime legislation. Its primary objective is to support and strengthen the efforts of the RGP and His Majesty's Customs in the fight against economic crime. It also sends a clear and unequivocal message that Gibraltar is not a safe haven for criminals or their illicit gains.

I am pleased to report that these measures have had a significantly positive impact on law enforcement. The Economic Crime Unit itself has been operating at its largest staff level since its inception, recently reaching a complement of 19, with one of the two police sergeants having since recently left the unit due to a well-deserved police promotion to inspector and another Police Officer moving from the RGP to the private sector.

The recruitment of civilian personnel therefore plays a critical role in ensuring business continuity. It also provides much-needed stability to the Economic Crime Unit by mitigating the impact of Police Officers being redeployed to other operational matters within the RGP, particularly in situations where the Commissioner of Police considers that operational demands require additional support from other policing units. This underlines the significant challenges faced by the dedicated officers at the unit, as economic crime investigations remain core policing functions where civilian support adds value but the exercise of police powers and judgement remains essential.

To support these efforts further, my Ministry has recruited a consultant, a retired Police Officer who was formerly head of this unit and a chief inspector before retiring earlier this year. I am grateful to Mr Tom Tunbridge who will act as a mentor for officers at the Economic Crime Unit and has also been asked to assist HM Customs' Financial Investigation Branch. In addition, we will continue to bring in civilian support staff into the unit wherever possible, including by training existing Civil Servants across my Ministries, rather than relying solely on external recruitment.

There has been notable and ongoing collaboration between the Office of Criminal Prosecutions and Litigation and the RGP and HM Customs teams in matters relating to criminal restraint and civil freezing of suspected proceeds of crime. Gibraltar, through the RGP Special Branch, has recently joined Interpol's Silver Notice pilot scheme. This initiative is focused on tracing and recovering criminal assets through enhanced information sharing and international cooperation in the fight against financial crime.

The Silver Notice enables participating jurisdictions to issue alerts and request intelligence on criminally linked assets, including properties, vehicles, bank accounts and businesses. I would like to thank Chief Inspector Mark Schembri, Inspector Miguel White, Sergeants John Goodson and Albert Loddio, and the Crown Counsel Michael Adamberry for the great work that they do with the entire economic crime team. For HM Customs, Senior Executive Officer Gaynor Macias moved on to other operational duties this year and is succeeded by Senior Executive Officer John Charles Camilleri, who has hit the ground running. I am equally grateful to them both for driving the HM Customs Financial Investigations team forward.

Meanwhile, the Gibraltar Financial Intelligence Unit (GFIU) continues to play a critical role in our efforts to combat money laundering, terrorist financing and the financing of the proliferation

of weapons of mass destruction. Mr Edgar Lopez and Mr Carl Ramagge have been doing excellent work, earning the respect and recognition of their peers internationally.

710 This past year, the Government has invested and significantly increased the resources of the GFIU with the recruitment of five intelligence officers in the last financial year and a further four intended for this financial year. The Government has also funded cutting-edge technology, including solutions with artificial intelligence, to increase the sophistication, efficiency and the reach of its analytical capabilities. These innovations are not simply upgrades, they are transformative changes that places the GFIU among the most advanced FIUs.

715 On the international stage, the GFIU is now firmly established as a trusted and credible partner. The unit has actively participated in high-level global forums, collaborative projects and knowledge-sharing initiatives. Its presence is not only welcomed but also sought after by international bodies such as the Council of Europe to provide training to other jurisdictions.

720 None of this success happens by accident. It is the result of a clear strategic vision, strong leadership and relentless hard work of a committed team that I am happy to support. I want to place on record my appreciation to Mr Edgar Lopez, Mr Carl Ramagge and the rest of the GFIU team for the great work that they do both locally and internationally.

725 The Gibraltar Coordinating Centre for Criminal Intelligence and Drugs (GCID), continues to play a vital role in the exchange of information and intelligence with Gibraltar's law enforcement agencies. This collaboration is particularly significant in relation to serious criminal activities, including drug trafficking, money laundering and organised crime. Whether involving individuals or organisations operating within Gibraltar or beyond its jurisdiction, but maintaining connections to the territory.

730 The GCID remains staffed with officers seconded from the Royal Gibraltar Police, His Majesty's Customs and the Gibraltar Defence Police. Overall command and responsibility for the Centre resides with the Royal Gibraltar Police. My thanks, Madam Speaker, to Sergeant Stuart Manfred and the rest of the team for the great work they do.

735 Madam Speaker, in summary, the Government has continued to provide full support and assistance to our agencies who are respecting and upholding their operational independence. This balance is essential. It ensures that Gibraltar's institutions are not only resourced and coordinated, but also free from ministerial interference.

740 Madam Speaker, I would like to take this opportunity to welcome, formally, Ms Annette Perales in her capacity as the MoneyVal Coordinator Designate. Annette brings extensive regulatory experience within the Financial Services sector and is at the forefront of ensuring our robust compliance with international standards on anti-money laundering and countering of financing of terrorism. Madam Speaker, this year Gibraltar has continued its engagement with what remains a strategically vital process of MoneyVal and the FATF. Gibraltar's aim is to continue to demonstrate not just technical compliance, but the effectiveness of our anti-money laundering and counter-terrorist financing regime.

745 Following Gibraltar's removal from the FATF Grey List in February 2024, my Ministry continues to work closely with all relevant stakeholders in preparing for the forthcoming follow-up assessment. The FATF standards themselves and their methodology for assessing jurisdictions have been the subject to major revisions, increasing the burden of proof for how a jurisdiction can demonstrate its technical and effectiveness compliance with these revised standards.

750 Gibraltar will be assessed by MoneyVal under revised FATF standards in 2027. Our focus this last year has been on consolidating the progress made in addressing key recommendations, particularly those relating to risk-based supervision, beneficial ownership, transparency and effective enforcement.

755 Madam Speaker, over the last 12 months my Ministry has overseen the implementation of several enhancements to our financial crime framework. We have introduced unexplained wealth order legislation, streamlined information sharing across agencies and significantly enhanced the capability of law enforcement authorities.

Madam Speaker, I have consistently advocated for enhanced coordination across agencies, emphasising the need to move beyond siloed structures on critical areas such as tax compliance, anti-money laundering and counter-terrorist financing and corporate responsibility.

760 Madam Speaker, on 23 April 2024 the European Parliament failed to ratify the decision of the EU Commission to remove Gibraltar along with other jurisdictions from the EU list of high-risk third countries having strategic deficiencies in their regime on anti-money laundering and countering the financing of terrorism.

765 This was a disappointing outcome for Gibraltar that was not based on any technical assessment. Madam Speaker, as we know, on 10 June 2025 the Commission updated its list of high-risk jurisdictions and Gibraltar was and is proposed for delisting. The Commission's proposal reflects Gibraltar's clear technical compliance and our unwavering determination to uphold the integrity of our financial system.

770 It is a just recognition for the continued work we have been doing not only to meet but to exceed international standards. The European Parliament now has a month from 10 June to ratify the decision or not. We have supported both resourcing and recruitment of all law enforcement in preparation for the upcoming 2027 MoneyVal Evaluation.

775 Alongside our investment in core policing and, as I have mentioned before, the Government has significantly enhanced the capability of the Economic Crime Unit and the Gibraltar Financial Intelligence Unit. Madam Speaker, as I noted last year and it bears repeating, I fully acknowledge and accept that over the course of a multi-year evaluation process, individuals, departments and agencies may experience what might be referred to as transaction fatigue. This continued level of sustained pressure across multiple agencies presents a genuine challenge.

780 I continue to dedicate a substantial amount of my own time to these responsibilities alongside my other ministerial responsibilities. Whilst there can be no doubt that the EU Political Agreement on Schengen represents a hugely important and positive step forward for Gibraltar, its implementation in the context of our forthcoming MoneyVal Evaluation will not be without further challenge. This will require new procedures and potentially additional legislative tools and resources to ensure that operational effectiveness is maintained throughout.

785 This must be achieved without losing focus on the rigorous and demanding nature of the MoneyVal Evaluation process itself, which will span many months and assess our performance across the preceding five years.

790 Madam Speaker, we must therefore be conscious that it can place considerable additional demands on our institutions. My thanks, Madam Speaker, to Annette Perales, Kevin Warwick, John Reyes, Nicolas Peliza, Andrew Bonfante and all the organisations and individuals that form part of the various working groups for their continued support in dealing with FATF MoneyVal and sanctions.

795 Their work helps us all. Madam Speaker, in respect of the Royal Gibraltar Post Office, I am grateful to the collective efforts of all postal staff at both the Main Street and the Mail Centre. In response to significant transformations in the postal sector, such as the rapid growth of e-commerce, accelerated technological advancements and heightened consumer expectations, the senior management team is proactively seeking efficiencies.

800 However, over the past year, the Post Office has experienced a number of operational challenges, as a Government will remain fully committed to ensuring the continuity of this essential service and minimising any disruption to the community. As I informed Parliament last week, we have taken immediate steps to strengthen staffing capacity by recruiting students to assist during the busy summer period. In addition, we will shortly begin the recruitment of the permanent staff previously announced, in line with our resourcing commitments.

805 Following my remarks in this House last week, I also took the opportunity to visit the Postal Office in person, together with the Chief Secretary. During the visit, I toured the premises, met staff and engaged directly with customers. The feedback from both staff and users was constructive and encouraging.

I would like to thank the Director of Postal Services and his team at the Post Office for their continued support and work.

810 Madam Speaker, I would like to conclude my contribution by talking about a matter that is very dear to me, and that is the work we undertake on behalf of our constituents. I serve as a constituency MP for Glacis Estate, Laguna Estate, Ocean Village and Bayside.

The constituency office serves as a critical link between my office and the people we represent. It is where the concerns of families, youth, the elderly are heard and addressed with urgency and care. These estates are home to families, young professionals, retirees and individuals.

Over the past year, the Constituency Office has remained a pillar of support and service to these communities, especially the people in need. We spend time assisting and supporting people through face-to-face meetings, community visits and open forums, ensuring that all voices are heard. Importantly, our office remains open to all.

820 We do not turn anyone away. Instead, we ensure that proper referrals are made where necessary, reflecting our commitment to compassion, cooperation and community-wide support. Madam Speaker, none of these achievements would be possible without the unwavering dedication of the team that supports this office and my colleagues in other Government ministries.

825 I wish to express my heartfelt thanks to Ms Joelle Baglietto, Jared Negron and Saskia Fernandez for all their work and dedication.

Finally, I wish to express my heartfelt thanks to everyone at my Ministry Office, whose unwavering support ensures that I am always well looked after, even in moments of doubt. Public office carries an immense sense of responsibility and it is important to remember that we are all human.

830 I am especially grateful to my Principal Secretary, Julian Baldachino, who has stood by me throughout what has been an intense and demanding journey on MoneyVal, FATF, on justice, on taxation and even on more mundane matters such as those moments when I have forgotten to bring a tie and he has generously offered me his own. His professionalism, loyalty to the Crown as a public servant and quiet strength has been invaluable and I thank him sincerely. And to everyone who works closely with me, I would like to take this opportunity to thank their families as well, Madam Speaker.

840 Their support has been vital. The work we are doing across ministries inevitably brings added pressure, not just professionally but also at home and their understanding has not gone unnoticed. Thank you sincerely.

845 **Chief Minister (Hon. F R Picardo):** Madam Speaker after that exceptional *tour de force* can I propose that the House should recess for a little while to quarter to seven? The Deputy Chief Minister and I need to consider some documentation.

Madam Speaker: Alright, we will recess until quarter to seven.

The House recessed at 6.06 p.m. and resumed its sitting at 6.45 p.m.

850 **Madam Speaker:** Yes, the Hon. Mr Clinton.

Hon. R M Clinton: Thank you, Madam Speaker. This year's budget can be summed up simply as a tale of two numbers, the number for revenue and the number of expenditure for the past year, 2024/2025, and of course the stark contrast between the two. As Dickens famously wrote in his opening to *A Tale of Two Cities*, I quote, "*it was the best of times. It was the worst of times. It was age of wisdom. It was an age of foolishness. It was a season of light. It was season of darkness. It was spring of hope. It was winter of despair. We had everything before us. We had nothing*"

before us. We are all going direct to heaven. We are all going direct the other way". And so, Madam Speaker, it is with the extremes of the sunny, heavenly uplands of a number for revenue, the dark hellish lowlands of the number for expenditure for the past year, 2024/2025.

860 It is more importantly not just a tale of these two numbers, Madam Speaker, but also one word, one word, an adjective, which we've heard a few times already, which can be applied to both numbers. And that adjective is unsustainable. Unsustainable revenue, unsustainable expenditure. To quote, the best of times and the worst of times, as we shall see.

865 Indeed, as the Chief Minister himself said on line 295 of his budget speech this week, I quote, *"the times of large"* in his own inverted commas *"surpluses are behind us, at least for now. We must operate within very tight budgets in order to achieve a surplus"*. End of quote.

The Government has announced record revenue to gather record expenditure, and I intend to drill down into each of these in turn. But first, Madam Speaker, let me address a number that is missing from the outturn for 2024/2025, a number that was so controversial last year, where
870 Madam Speaker is the contribution to Government companies of £30 million?

For each of the four years ending 31st of March 2023, the Government made a contribution of 30 million pounds to Government-owned companies. In last year's budget, in the outturn for 2023/2024, what should have been a contribution of £30 million became an advance of £27.6 million. So that the Government could, of course, pretend that it made a surplus of £1.9 million.
875 Complete fiction. A presentation and method of funding Government companies that they themselves changed and said it was wrong. I have consistently stated since 2012 was wrong and they flattered the results. And which, in avoiding the truth of their own u-turn, Madam Speaker, labelled it unimaginatively in the Press Release number 487/2024, the Clinton deficit, the Clinton deficit. Their own fiction.

880 And this year, Madam Speaker, the Government, in announcing a surplus of 9.8 million for 2024/2025, has a contribution to Government-owned companies of, wait for it, zero. And no advance either. So I ask the Government where is the contribution this year? Or is it that the Government-owned companies are now all self-financing? Or is it, Madam Speaker, a coincidence that credit finance has borrowed a further £30 million from the Gibraltar Savings Bank? Yes, the
885 lender of last resort, because that's the only people that the Government can take money from day in, day out. £30M from the Gibraltar Savings bank in the year ended 31st March 2025.

Next year, there is another notional £1,000 entry for contribution to Government-owned companies. So, presumably, this requirement has not gone away. And so, Madam Speaker, in the absence of evidence to the contrary, whether advance, off-balance sheet financing, some other
890 form of card financing, it's fairly clear that the declared surplus with no contribution to Government-owned companies is another fiction. Of course, I'd be delighted to hear more about that.

On the revenue estimates this year, Madam Speaker, the Government are estimating an out-turn for revenue for 2024/2025 of £813 million. And yes, it is the highest on record, and some £80
895 million higher than the estimate last year of £733 million. Now this would be the harbinger of good times indeed, if this level of income was sustainable.

I'll drill into this number. Of this £80 million, £10 million was income tax, £5 million was import duty, and a whopping, and I'll say whopping, £60 million was Corporate Tax. The Minister for Taxation has certainly delivered. The Corporate Tax take was almost 40%, more than anticipated,
900 which came in at £213 million compared to the estimate of £153 million. But again, is this sustainable, Madam Speaker?

I note that the comments that the Minister for Taxation made, some of which I actually identify with, when the Minister said tax revenues are vital. Yes, of course they are. They are the lifeblood, absolutely, Madam speaker. But then he does say fiscal discipline is essential. And he also
905 expressed caution that tax revenues is not a bottomless pit. They must not be mistaken for permanence. And indeed, it's this caution, Madam Speaker, that I think we have to look at this record revenue. And now whether it is the result of the tax strategy as the Minister outlined, of

enforcement and policing and reducing tax leakage, is well and good. But can that be repeated for next year? That is the question, Madam Speaker, whether it is a one-off or not.

910 Now, the Minister for Taxation takes issue with the label of exceptional, and says, no, it's truly exceptional. And indeed, Madam Speaker, it is truly exceptional, but unfortunately, in accountancy speak, that doesn't exist. As much as CEOs around the world would like to say, our results are truly exceptional, but the councils will only allow them exceptional.

915 And exceptional, of course, has a meaning. The Chief Minister has indicated in line 366 of his speech that the revenue includes £50 million of exceptional revenue, and by definition his own, this is not recurrent revenue. If he took this out, using the accounting logic of recurrent and non-recurrent, and being exceptional as by definition it cannot be recurrent, he would be reporting a deficit of £40.2 million, not a surplus of £9.8 million. I really do think that the Minister for Taxation deserves a little bit more than a pat on the back from the Chief Minister. The Minister for Taxation
920 has actually saved his Government's bacon, and Gibraltar's bacon for that matter, because without this truly exceptional £50 million we really would be up the creek.

But Madam Speaker, we cannot allow ourselves these luxuries without the certainty of what the world will bring to us in the years to come, as the Minister, Father of the House was saying this morning, you know, the world out there is a dangerous, uncertain place and we are part of the
925 world. We need to think and plan accordingly. And so, Madam Speaker, for 2025/2026 the Government's estimating a revenue of £773 million. That was 5% or £40 million less. Corporate Tax estimated £170 million, 20% less than 2024/2025. Now again, as I said, it remains to be seen whether Corporate Tax revenue can be sustained. And indeed, if it is the spring of hope.

Meanwhile, departmental fees and other charges borne by the general public continue to
930 increase, from electricity to the social insurance cap increase. And Madam Speaker all Government revenue is ultimately sourced from individual taxpayers or corporates, and they will have less money in their pockets, or their businesses' pockets which will suffer the burden of higher cost. But how well this revenue, the money the Government collects and spends, is of course extremely important to taxpayers.

935 Madam Speaker, from the sunny uplands of revenue, we must now descend to the dark lowlands of expenditure. And Madam Speaker looking at the expenditure estimates, the departmental outturn again shows a massive overspend, an overspend in fact in the order of £65.2 million. Total recurrent departmental expenditure for 2024/2025 was £610 million. The estimated out-turn is £675 million, which is, as I just said, an incredible net £65.2 million overspend. And this
940 we have to compare to last year. Last year, the departmental net overspend in 2023/2024 was £65.1 million. And the year before, in 2022/2023, it was £53 million. The over spend, as the Chief Minister correctly identified, is in the main £35.8 million in respect of Head 26 in the book, Health and Care, which includes the GHA, elderly residential and the care agency. This side of the House we've consistently warned, and I quote myself in fact, the GHA budget was unrealistic and short
945 by at least £20 million, given historic spending patterns. That was what I said last year. Next year, the health and care budget has been set to the level of £224 million compared to the outturn of £243 million this last year, 2024/2025. Again, £20 million lower.

Now, given the global trend in increasing healthcare costs, it's questionable whether this is realistic or not. The key will be to deliver efficiencies where possible, of course. I hope that the
950 new internal audit department of the GHA will prove its worth in time. My colleague who shadows health will discuss this area in more depth.

The balance of the overspend of £29 million, is in the main of the following heads: Head 44, Education, which is £10 million; Head 11, Social Security, £6 million; Head 27, Utilities, £5 million; Head 42, Refuse, £2 million; Head 10, Government Law Offices, £2 million; and the remaining £4
955 million spread over various other heads.

In Education, of the £10 million overspend, £6.5 million was due to what I can only describe as a totally unrealistic under-budget set at £4,000 for temporary cover, despite prior years having an expenditure of close to £5 million. £5 million and they budgeted £4,000. This one again appeared to be under provided in 2025/2026. With only £1000 estimate being made. It remains to be seen.

And mandatory scholarships were £2 million more than budgeted. And there is a new unbudgeted cost of £1 million in respect to the Hebrew school, which I will be grateful when we get to the Committee Stage that the Minister of Education will explain.

In Social Security, the net £6 million overspend is due to £10 million extra being paid to the Social Assistance Fund, which can be found on page 229. Which in turn paid an unbudgeted contribution of £10 million to Community Care by way of recurrent expenditure, which, strangely enough, there is no budget number inserted for 2025/2026.

Net or the, netted off the £10 million was £4 million that was not paid by the Government to a Statutory Benefits Fund, the solvency of which the Government has yet to explain given its recent 5% in the social insurance cap. I'd be grateful if at some point the Minister, perhaps in the Chief Minister's reply, would explain what the position is on the Statutory Benefits Fund and indeed on the Group Practise Medical Scheme.

In Utilities, which is in the main, the Gibraltar electricity authority, which is on page 218, the overspend of £5 million is made up of fuel costs of additional generating capacity of £3 million, and commercial works of £2 million, although this latter item, it would appear, was covered by additional revenue received in this respect.

Refuse overspend was on the main due to an under budget of £1.2 million versus the £1,000 in the estimate for emergency overtime last year despite a similar amount being required in 2023/2024. Madam Speaker, last year during the committee stage on the 9th of July 2024, I actually asked the Minister about this estimate. And he indicated that Government was, and I quote, "*looking at changing this and reducing this*", to explain why he put in such a low estimate. And evidently, he was unsuccessful. An additional amount of 800,000 pounds was also required in respect of contracted services for disposal of other items.

Finally, for Government Law Offices, the overspend of £2 million was in respect to professional fees, which were under budgeted at £2.5 million despite 2023/2024 coming in at £4.8 million. Indeed, why such a high level of professional fees is required at all is perhaps something that needs analysis given that I'm sure there's an availability of internal legal resources.

Overall, whereas the usual defence of Government, certainly in respect of health care, is that costs are demand-led, it is evident there is a consistent underestimation of costs when setting the budget for future years. Sir Joe seemed to think that this was a method of controlling costs and keeping tight control over people, but it's just evident that the budget numbers are unrealistic. It's only done so they can pretend they're going to have a surplus next year.

Madam Speaker, it's not just not sustainable that Government can have an overspend in the order of sixty million each year when revenue itself is not guaranteed to exceed the budget just to cover the excesses. It's just not possible. We've had an overspend of 50, an over-spend 65, an over spend of 65. It's almost playing at Russian roulette. Sooner or later, you're not going to have an excess of revenue that you weren't expecting to cover the excess of expenditure. We have to be extremely careful. And as the Leader of the Opposition has suggested, this year the Government has indeed been lucky to have had the extra exceptional, truly exceptional, £50 million with the truly exceptional Minister for Taxation. But the Government needs to excise more caution over departmental expenditure to avoid disaster next year.

In terms of the charges of the Consolidated Fund, these are £8.5 million over budget. The total recurrent Consolidated Fund charges budgeted for 2024/2025 was £119.9 million. The estimated outturn is £128.4 million, a net increase of £8.5 million, of which £6.8 million was with respect to public debt charges reflecting higher than budgeted bank interest cost.

And this is of course, Madam Speaker, despite the Savings Bank lending to Government at below Bank of England rates, on the £372.7 million of Government debentures the Gibraltar Savings Bank holds. And I will say more about this later.

Now, although it is anticipated the Bank of England will continue to cut rates, the pace of this is uncertain, especially given world events, as Sir Joe mentioned this morning. And the cost of borrowing will not drop dramatically. But despite this, the Government has estimated bank interest costs to be more than £10 million lower next year.

So Madam Speaker, taken together, the overspend on both departmental spending and charges for the consolidated fund adds up to some £73.7 million, which is a rather frightening outcome which has only just been mitigated by the windfall of £80 million of excess revenue of which £60 million was in Corporate Tax receipts. And so, Madam Speaker, it doesn't take a genius to work out that this level of expenditure is unsustainable in the absence of guaranteed increases in sustainable revenue.

So now Madam Speaker I'll move on now to consider debt.

This year the Government made provision for the repayment of £1.5 Million of the UK Guaranteed NatWest Covid facility debt, reducing it from £425 million to £423.5 million as at the 31st of March. And I should of course pause here Madam Speaker and emphasise that the debt never ever reached £500 million. The high-water mark was £425 million. It was in fact the facility that was 500 million.

So this repayment of £1.5 million reflects the half a million that should have been paid last year plus the £1 million of this year in line with the policy the Chief Minister set out in 2013 to set aside some 10% of surpluses for Covid debt repayment. 2013? Sorry, 2023, I stand corrected.

However, this current rate of repayment of £1.5 million, it would take something like 282 years, Madam Speaker, 282 years to repay the outstanding debt, certainly generational. And so the Government needs to come up with a workable longer-term plan with UK Treasury in respect to this, which is scheduled for repayment now in full next year in December 2026. And I will say more about this later.

Of the debt, there was a £75 million pre-covid facility with NatWest which fell due on the 31st of March 2025 and I note that this has been refinanced for five years with the Gibraltar International Bank on an unsecured basis at a very, I would say exceptionally fine margin of Bank of England base rate plus only 0.15%. Which remarkably is better than the terms obtained from NatWest with a UK Sovereign Guarantee. It would appear the Gibraltar Government's risk, is better than the UK Government. And I trust, Madam Speaker, that the Gibraltar International Bank are acting at arm's length in respect of its transactions with the Government and that political influence has not been brought to bear upon the Gibraltar International Bank.

Now, whereas the Government has not borrowed more direct debt and made what I can only call token repayments of £1.5 million, and that was in direct debt, it has, however, increased indirect debt significantly by borrowing more from the Gibraltar Savings Bank (GIB) - its lender of last resort. Such that indirect debt, Madam Speaker, indirect debt is now more than one and a half times direct debt, as I will show.

Now the analysis of the gross direct borrowing as at the 31st of March 2025 is as follows: there's £272.7 million of Government debentures, which from the last information I had has an interest rate of 2.7%, which is nice if you can get it, and then it has £100 million at 3.5% adding to £372.7 million which is all owned by the Gibraltar Savings Bank, which is very generously giving the Government rates well below not just the Bank of England rate but its own funding cost which I can only estimate is about 5% which is what everybody talks about, the 5% debentures. So this is a great deal for the Government, not so great for Sir Joe's Savings bank, and I will say more about that later.

Then there is a £75 million facility, now with the GIB for five years, and then there is what remains to be repaid significantly of the RBS NatWest Guaranteed Facility, which is £423.5 million. So, bank debt adds up now to £498.5m and the total direct debt of the Government, which I'm sure they have no problem agreeing to, is £871.2 million. Which is in fact the number I was given in answer to a recent Parliamentary question.

Now this is the next area, the area in which obviously the Government disagrees, and each year I try to quantify the indirect gross debt being the monies borrowed through companies and this year I have the following list: We have the mortgage of the housing estates which is still there, £300 million; Credit finance borrowing from the Gibraltar savings bank, which has gone up, is now £468 million; The 50/50 affordable sale, whatever you want to call it, £165 million; GSBA borrowing from, again, the savings bank £115.8 million which is funding Sir Joe's national

economic plan; Gibraltar Properties Limited, again from the Savings Bank, £89 million for Hassan Centenary Terraces; The ES Limited, which is the power station, £92 million; GCP Investments, £3.5 Million; Gibraltar Carports, £48 million; GEP, again from borrowing from the Gibraltar Savings bank, £113 million; GAH, the mysterious GAH which we now know is the Gibraltar AquaGib Holdings Limited, which bought AquaGib for £7.5 million, again, kindly lent by our friendly Gibraltar Savings Bank; Community Home Ownership, another one of Sir Joe's, I don't know what to describe it as, Sir Joe's ideas, £1 million under his National Economic Plan; Community Elderly Homes, again another of Sir Joe's ideas, £2 million National Economic Plan; and then, lastly, but not least, the GHA purchase of GCP investments, which is under a GIB facility, which is about £16.9 million, which was the purchase of the hospital.

And all that adds up, Madam Speaker. And again, these are my estimates, because I don't actually have accurate numbers from the Government, not that they would ever give them to me. That adds up to about £1.4 billion. Or £1,438 million. £1,438 million indirect debt compared to £871million direct debt. The Chief Minister can wax lyrical about his debt to GDP ratio, but of course it's nonsense because he doesn't take into account his indirect debt.

In the year ended 31st March 2025, Government companies or associated Government entities have borrowed a net £123.7 million. I'll say that again, £123.7 million from, wait for it, the Gibraltar Savings Bank, increasing the level of indirect gross debt to, as I just said, £1.4 billion this year.

And this is broken down as follows: The mysterious GEP borrowed £60 million; Credit finance borrowed £13 million; GSBA limited, Sir Joe's National Economic Plan, £15.7 million; Gibraltar properties, £9 million; GAH limited, £7.5 million; Community homeownership £1 million.; Community Elderly Homes, £2 million; and net of a small repayment of £1.5 million from GCP.

Last week, in answer to Question 687 of 2025, the Chief Minister advised that, and I quote, *"GEP Limited has recently borrowed a further 60 million via the issue of debenture to repay the sum advanced to it by Government in respect to the construction / fitting out of various schools"*. And last year, last year the Chief Minister just refused point blank to advise why GEP Limited borrowed 70 million from the Gibraltar Savings Bank.

Now GEP, we now know, stands for Gibraltar Educational Project. And so, in effect, the Government has refinanced it via the Gibraltar Saving Bank, thus giving Government the use of this money amounting to £130 million. I

always wondered, Madam Speaker, how the Government managed to boost its cash reserves just at year end. I think I now understand what they're doing. But effectively, getting GEP to issue a loan note to the savings bank, you just get the money to the Government's books. It's great. And it's funny, he did the same thing this year as he did last year.

So, Madam Speaker, this is nothing more than the Government borrowing money. And then, in addition, this is the remarkable bit, Madam speaker, the Government last week revealed the GEP would be charging the Government rent on these new schools. And in the Chief Minister's budget address at line 559, he revealed the Treasury would receive an additional £3.4 million, which, I quote, *"includes provision for the payments of the school buildings"*. But with no further details, Madam Speaker, and this will obviously increase recurrent expenditure.

Now, we have no details as to this rental agreement. We have no detail as to the terms. Who have no details as to the duration. Or even how much is going to be required for GEP, funny enough, to be able to repay the £130 million of loan notes to the Savings Bank. The Chief Minister just put it in line 559, oh, and there'll be a provisional payment for school buildings. But for how long, Madam Speaker? And again, this is generational debt, but you know, for them, it doesn't really matter, because it goes in one pocket out of the other. It's all smoke and mirrors. Disguise it. This is not even Accounting 101 because it's so blatant what they're doing, Madam Speaker. And he has a cheek to stand up and say, I've got surpluses, I've got record revenue. Well great, yes, he has record revenue, but the debt is going through the roof. It's going through roof.

And so Madam Speaker, when the indirect gross debt of 1.43 billion is added to our gross direct debt of 8371 million, that gives us a figure of just over 2.33 billion. 23. 3 billion.

1115 So the reality of all Government debt is increasing, not decreasing. And again, this is unsustainable. But of course, in the Chief Minister's world, everything's wonderful.

Madam Speaker, I go on to GDP, but GDP really is something which I find, and economists will argue about all sorts of economic measures, but this one in respect to Gibraltar is a bit of a nonsense. I said this last year, the Father of the House has repeatedly warned of the dangers of
1120 quoting GDP per capita, and yet the Chief Minister persists in talking nonsense. And the same is true this year, he never learns. And it's cold comfort, Madam Speaker, to those who struggle to make ends meet every month, to be told, be grateful, Gibraltar has the second highest GDP in the world. You should be thanking me. Madam Speaker, it's an economic nonsense, which means nothing to the working people out there. And again, the use of other ratios such as debt to GDP
1125 are pretty much irrelevant to an economy of our size. And indeed, don't even consider the ballooning indirect debt of £1.4 billion.

I regret that Sir Joe is not present in the chamber today to hear what I have to say about his contribution, but perhaps he is listening online. What I was going to say, which I am going to say, is I apologise to the Father of the House if he was in some way offended that I referred to him as
1130 a genius, because he can rest assured I would never call him the opposite.

Madam Speaker, I'm delighted to hear he's actually confirmed to this House that the savings bank is indeed lending to the Government at a low rate. In fact, a rate below not just the Bank of England rate, but his cost of funds, which is around 5%. Now, I quantified this subsidy at around £7 million, and it appears Sir Joe does not seem to disagree with that. Now, Sir Joe sees nothing
1135 wrong with this subsidy. As he says, the reserves of the savings bank belong to the Government, something we both agree on. But I have urged the use of these reserves by way of distribution during the height of the COVID pandemic and Sir Joe refused, saying: "no, it's my rainy day fund, it can't be touched". The difference between our approaches is one of transparency. My method will be clear and transparent. Savings bank makes a distribution to the consolidated fund, it will
1140 appear in a consolidated fund distribution from the savings bank, its own line item. But Sir Joe's approach is hidden and distorts the results of the Consolidated Fund and the True Interest Cost, because by having a subsidised interest rate, effectively he boosts up the revenue or surplus on the Consolidated Fund and the net result. Whereas really what he should have done is say, well okay the Government actually instead of making a surplus of 93 million, made a surplus of £2
1145 million, and here's a £7 million contribution to help make ends meet. That's the way to do it. Not this way. This is hiding the subsidy.

And I would warn, Sir Joe, if he's listening, that the Chief Minister has his eye on the reserves of the savings bank. Because, Madam Speaker, when the Chief Minister claimed that the cash reserves, again on line 416 of his speech, were £268 million at the 31st of March 2025, compared
1150 to the £212 million in 2011/2012. He added, Madam Speaker, he added the Savings Bank reserves of 83 million. The official cash reserves of the Government, which in fact are in the book, the official reserves in the book, are £184.9 million, £184.9 million. So that's actually £27.1 million lower than he says he inherited in 2011/2012. So he's taking the benefit of Sir Joe's money when it suits him, which Joe obviously won't even let him have it.

And as regards the fantastic success of the Savings Bank, Madam Speaker it's very easy to attract deposits if, as Sir Joe said, he's offering the best rates in the market, not just in Gibraltar, but even in the UK. And I venture to suggest, if he tried to advertise in the UK, the Bank of England would have something to say about it. It's very easy to attract deposits by offering attractive interest rates. But what Sir Joe failed to tell the House, Madam Speaker, was his estimate of
1160 surplus for the Savings Bank for 2024/2025 was £8 million. It came in, in fact, £6.5 million, actually, 19% less than he estimated. So much for Sir Joe's success. But then I guess if he is giving money away to the Government, it was bound to happen, Madam Speaker. And again, you know, I wish Sir Joe well, but I wish he was here to hear this.

So, Madam Speaker, let's move on to the budget measures. The Leader of the Opposition,
1165 Madam Speaker, has addressed the announced measures in detail and I do not propose to revisit them. But, I have to say, this year in his opening budget address, the Chief Minister has somehow

decided that he should mention my name in vain some 38 times, Madam Speaker, 38 times. Must be a record, especially when I compare to 2024 when I only got two mentions. I can't even do the percentage increase, it's like 19 times more. Have I been 19 times worse? I don't know. I can only
1170 assume, Madam Speaker, that I must have done something to upset him, to deserve so much attention this year. Of course, Madam speaker, the financial truth evidently hurts.

Now, as the Leader of the Opposition has quoted directly from Hansard disproving what the Chief Minister alleges I had advised, I will not do so again. I would, however, urge local media to do some independent fact-checking before quoting the Chief Minister's nonsense.

1175 And Madam Speaker it dawned on me today that I should perhaps give the Chief Minister the benefit of doubt. It would appear the Chief Minister, has simply not understood. He hadn't understood it. He hadn't understood the point I was trying to make in both 2023 and 2024. Which was, simply, that he did not have a credible repayment plan for the £425 million borrowed under the UK guaranteed facility with NatWest. And again, not £500 million, which is the total facility,
1180 but the Chief Minister can't tell the difference. He had not achieved financial stability.

And Madam Speaker, on the 2nd of July, 2024, in the afternoon session at line 1375, I said the following, and I quote: *"of course, we are now a year closer to the rollover repayment date of December, 2026. Well, we still do not have a credible repayment plan. The Government has stated its intention to commence repayments. Last year's estimates include a provision for half a million repayments, but it did not happen. And next year, the Government is rejecting a one million repayment"*. But as I said last year, we do not have a credible plan to repay this debt. We would need at least £19 million a year over 22 years to repay the £425 million. 10% of surpluses is not going to cut it, especially when we are in deficit. This is a serious point. The Government should be negotiating with the UK Treasury for a long, long-term plan with all the options on the table as
1185 to period for repayment.

And indeed, Madam Speaker, the Chief Minister himself said that the times of large surpluses are behind us. So 10% of the times the large surpluses are behind us is not going to be very much.

And that was my same point in 2023, which the Chief Minister couldn't grasp. Namely that a three-year repayment was nonsense. No, and what we needed, I quote, what we need was a long-
1195 term facility and repayment terms as necessary to precisely restore financial stability.

It was never about interest rates which the Chief Minister used as a fig leaf in 2023 in only obtaining a three-year facility. Because it's evident the UK wanted to keep him on a short leash. **(Interjection: don't be stupid)** Yes, indeed, you are stupid. Of which he denied. He denied it. In fact, the only person who ever spoke about fixing rates was the Chief Minister.

1200 Madam Speaker, repayment is due technically next year in December 2026. Which is obviously impossible. And still, still Madam Speaker, there is no credible repayment plan. And again, a serious conversation has to be had with UK Treasury as to reasonable and flexible repayment terms. I say this Madam Speaker over the very long term and not the original 25 years that the Chief Minister envisaged.

1205 And so Madam Speaker. It's not my financial credibility that is in question or at stake, but rather the Chief Minister's. In fact, he's unable to grasp the importance of negotiating longer and affordable repayment terms to ensure financial stability. Yes, last year Madam Speaker, because he just makes it up as he goes along. Last year, it was the Clinton deficit. This year is the one quarter of a billion Clinton. Next year he'll think of some other nonsense to try and discredit me
1210 Madam Speaker. And he will of course fail but he can't discredit me and he'll get another big fat F, Madam Speaker, for attainment on his budget analysis. Well, maybe, Madam Speaker, he will score an E for effort.

And that's all I have to say about his budget measures, Madam Speaker.

1215 Madam Speaker, last year, I tried a constructive approach. I thought well, as the Chief Minister likes to say, well it's very easy to criticise, well of course it is. So I proposed the roadmap, Madam Speaker, to get our public finances back into shape. Now I'm not going to repeat them one by one, but only to say that unfortunately they've been largely ignored by Government. With perhaps one exception. The exception being a truly exceptional Minister for Taxation, who when producing a

close approximation to a Finance Bill, succeeded in cleaning up the mess of outstanding budget measures the Chief Minister as finance minister failed to implement. He had to clean up the Chief Minister's mess. And I look forward Madam Speaker to the day that the Minister of Taxation builds on his professional approach by, if required, presenting a Finance Bill with the Appropriation bill. And the day he does, Madam Speaker, he'll be able to hold his head up high with some pride and justification, again with due credit to Charles Dickens, that he would be able to say, and I quote, "it is a far, far better thing that I do than I have ever done", Madam Speaker, end quote. Without, hopefully, the fear of losing or facing his immediate political execution by the Chief Minister.

Now, given my constructive suggestions have fallen upon deaf ears on the Government benches, with perhaps one exception, this year I've decided that the only way to get their attention, to get them to focus on the issues that matter, is to give them something they all love to get, Madam Speaker. Yes, Madam Speaker, this year for the first time, and maybe the first time in this Parliament, I'm introducing an award system to publicly recognise their budgetary failures Madam Speaker. And, of course, there can only be one winner of the Bust the Budget Awards 2025. And the beauty, of course, Madam Speaker is all the Ministers on the benches with departmental responsibility get to play along with the Audit Department. And I think unlike other competitions, they already know who the winner is. There is already a one clear winner and they know it, and so it won't be a photo finish. And of course the general public don't know the results. So to build up the anticipation for the 2025 Bust the Budget award, I will announce the results in reverse order as follows.

And again, the Audit Department gets to play as well as they have no Minister directly responsible for them.

Coming in at number 10, at the bottom of the list, is the Minister for Inward Investments and the Savings Bank, Sir Joe. He actually achieved a saving of £275,000. Of course, the Minister only has two departments for which he is responsible. If we were to include the Rooke nursing home overspend and some other projects, he might be at the other end of the list.

And so we move on to number 9 on the list, and number 9 on the list with very credible result is, of course, the Deputy Chief Minister, who achieved a saving, a saving Madam Speaker, of £227,000. But of course, he only has two.

And I'm glad to report that coming in at number 8 is the Audit Department with a credible saving of £9,000 on their budget. The audit department.

So, and we're getting closer to the top of the list. Number 7, and who can be number 7, I wonder? Number seven is the Minister for Housing and the University, who is over budget by 315,000 pounds with two departments.

Number 6, and I think that there are actually two different groupings. So this is sort of the mid-tier grouping. So I wouldn't be too worried if you're on this group. The Minister for Equality, Employment, Culture, and Tourism comes in at number 6 with £490,000 over budget with five departments. Incredible results.

Moving on to the next division, I say those were the third division, this is now the second division. Number 5, who can that be? Oh, it's the Minister for Justice, Trade and Industry, and Taxation, with an overspend of £2.1 million pounds! With 8 departments. But I think if we're going to be fair to the Minister, we should offset his tax receipts against that, so in fact he actually beats Sir Joe in terms of his revenue.

Right, still in the, we're now in the second division here, still. Number 4, who will be number 4 I wonder? The Minister for Industrial Relations, Civil Contingencies and Sport, well done, you come in at £2.3 million over budget with four departments.

And that's the second Division, now we end up in the first Division. And it's narrowing, and the tension I feel is building, Madam Speaker. Coming in not as number 1, not as number 2, but coming in number 3 is the Chief Minister, Madam Speaker. With an overspend of £13.4 million with 15 departments. Yeah, well, it's now entering the First Division. And so, Madam Speaker, we now end up with two. We only have two left.

1270 We only have two left. Coming in at number 2, the Minister for Education, Environment and Climate Change, well done, with only an overspend of £14.7 million, with seven departments.

And of course, the clear and only winner, which is obvious from day one Madam Speaker, is of course coming in number 1, is the Minister for Health, Care and Business, with a spectacular overspend, Madam Speaker, of £41.2 million pounds. If we could we would give her a round of
1275 applause!

Now of course that adds up to £74.3 million overspent, which you net a supplementary reallocation of £9 million, which comes to the total departmental overspend in 2025 of £65.2 million, Madam Speaker.

Although I do this in jest, it is quite a serious point. Of course, it's of little surprise that the
1280 highest areas of overspend are health and education. But the Ministers should ensure that budgets are kept to. And if it's not possible, ensure that at least realistic budgets are set in the first place. To say that spending is demand-led is not credible explanation as regards busting the budget.

Madam Speaker, I look forward to the 2026 Bust the Budget Awards. And I trust the Ministers
1285 will do their absolute best, their absolute best, Madam Speaker, not to win next year. Well, if you'd like to call an election next week, we'll have to check flights! Change that. Yeah, that's what we thought we were talking about. We did. We'll see, Madam Speaker.

So, Madam Speaker, having concluded the Bust the Budget Awards for 2025, I move on to more serious matters, which are the Principal Auditor's reports, Madam Speaker.

1290 Now the Leader of the Opposition in his contribution this week has raised the issue of the delay in the production of the reports from the Principal Auditor, which are six years out of date. And again, as the Leader the Opposition stated, and I quote: *"accountability delayed is accountability denied"*.

When I mentioned in a press release the obvious fact that the new Principal Auditor had a
1295 Herculean task in bringing everything up to date, it provoked what I could only describe as a furious response from the Chief Minister, who accused me of attempting to politicise the role of the Principal Auditor. Now, Madam Speaker, as an officer of Parliament protected under the Constitution, the Principal Auditor is beyond reproach by both sides of this House.

Now the outgoing Principal Auditor said this in a commentary on his retirement, which is
1300 published in the Gibraltar Chronicle on the 25th of April 2025, and I quote: *"I am focused on finalising the 2018-19 report before I commence pre-retirement leave on the 1st of June, which will once again spotlight value for money reviews alongside the usual comprehensive audit of Government's accounts."* End quote.

From this, is it not reasonable to deduce that such a report was completed, dated and
1305 delivered, as scheduled? So where is it? Who has it? And why hasn't it yet been tabled in Parliament? When I asked about the 2019 report last week, the Chief Minister refused to be drawn as to whether or not such a report had been delivered. Now given the Government's abysmal track record as regards Principal Auditors' reports, I would remind the office of the Principal Auditor that they need not rely on the Chief Minister to table such reports in Parliament, and
1310 indeed, Madam Speaker, under Section 12, Subsection 3 of Standing Orders, it states the following, and I quote: the Principal Auditor and the Ombudsman - who are, in fact, Parliamentary Officers - May present the annual report to the Parliament through the Clerk.

And so, Madam Speaker, by this method, such reports may be tabled directly to Parliament without any delay engineered by the Chief Minister through the Clerk, who would of course be
1315 duty-bound to table them immediately. If such a report exists for 2019 and is delivered, it should be delivered by the Clerk before the end of this current Parliamentary session. Now that there is a very strong public interest in these reports is an understatement. And any deliberate attempt at delaying their publication would rightly not be forgiven by the public, or indeed the press, who would I also urge to enquire as to the presence of the 2019 report. Now, Madam Speaker, having
1320 said that, I today need to update my remarks in that we have now received written confirmation from the Gibraltar Audit Office that the 2019 audit report from the Principal Auditor does indeed

exist. The report was finalised by the retiring Principal Auditor and is dated the 31st May 2025. The report, we are told, was delivered to the Clerk of Parliament on Friday the 13th of June 2025 in accordance, or pursuant to Standing Order 1233 for tabling in this Parliament.

1325 **Madam Speaker:** I'm just going to stop the hon. Member there, loathe as I am to interrupt, but I don't know if he knows but I will say, that the Hon. Leader of the Opposition has written to me, obviously behind the Speaker's Chair, on this matter. I am in the process of replying to that letter, and so insofar as the Clerk and Parliament is concerned, that is something that I will be replying directly to the Leader of the Opposition shortly. So I would appreciate if the Hon. Mr Clinton makes
1330 no speculation in relation to the report and Parliament because there are important matters which I will raise in that letter directly to the Leader of Opposition. So I will ask the hon. Member to move on from that particular point in relation to Parliament and the Clerk.

Hon. R M Clinton: Madam Speaker, I appreciate your intervention, but I would point out that I'm not speculating. I'm merely stating fact. Madam Speaker, last Thursday, 26th of June 2025, I
1335 asked in my Question 686 of 2025, and I quote: can the Government advise if the Principal Auditor has indicated when his report for the year ended 31st of March 2019 will be tabled in Parliament? At the end of his response, Madam Speaker, he said, and I quote: "*I am unable at this stage to give any time frame, timeline sorry, for the tabling of the outstanding reports.*"

Madam Speaker, when the Principal Auditor's report for 2017 and 2018 was sent to Parliament,
1340 it included a covering letter from the Principal Auditor addressed to Madam Speaker. And that was dated 21st December 2023, which stated, and I quote: "*I shall be grateful if you would arrange for the report and accounts to be laid in the next session of the Parliament pursuant to section 74(2) of the Gibraltar Constitution 2006.*" End quote.

Now, the next session of Parliament was on the 24th of January 2024, and as recorded on the
1345 agenda for the day, on the papers laid, it states: *the Hon. Chief Minister will lay on the table the public accounts of Gibraltar 2016-17 and 2017-18.* End quote.

And Madam Speaker, so they were. To very great public interest. Here I pause so that the import of what I have said can sink in. Madam Speaker, I was aghast that when I asked, after this report, only last Thursday, the 26th of June 2025, I was met with silence. I'm going to be honest,
1350 Madam Speaker. I am sickened at the realisation that such a report was, in fact, in this very building for 13 days!

Madam Speaker: Well, the hon. Member may raise his voice as much as he can. I am now going to direct him to move away from the issue of the report in this building, in Parliament. I will raise the matter directly with the Hon. Leader of the Opposition, as he has done with me by letter, and
1355 then we can take it from there. But right now, I'm going to ask the hon. Member to move on from the issue of the Report and Parliament.

Hon. R M Clinton: Madam Speaker, I still have other things to say about...

Madam Speaker: The hon. Member may say whatever he wants, but I don't know what the hon. Member is going to say, so I can't say that. But what I am going to reiterate is asking the hon.
1360 Member to move on from the issue of the report being in Parliament. There are matters here which are of some serious importance and they need to be raised by me with the Leader of the Opposition.

Hon. Dr K Azopardi: Madam Speaker, we're on the subject of the budget debate. My colleague obviously has free rein to conclude his remarks. He was about to conclude his remarks, he's stating facts, and his view on the fact that non-delivery of the Report and non-release of it has, he's simply
1365 stating his view on the budget debate in relation to a matter of financial governance, an important matter. I have to say I am not sure on what basis he is being directed not to conclude his remarks on something which he is simply commenting on as a matter public interest. That is all he is doing.

I appreciate, I have written to you on this matter and Madam Speaker for the first time is saying
1370 that I will be getting an answer from you on the issue.

My colleague has established that the Report was delivered on a particular date and he is simply commenting on that issue and on the consequence of the delay of the Report. That's all he is doing, and I do struggle, Madam Speaker, with respect, on your direction on this issue.

1375 **Madam Speaker:** Perhaps when the Hon. Leader of the Opposition reads my letter, he may understand the position I am coming from. But if the hon. Member is concluding, then I would urge him to conclude without speculation and without labouring the point. The matter will become clear.

1380 **Hon. R M Clinton:** Madam Speaker, I don't know the difference between speculation and fact. You will have to direct me on it. Madam Speaker I am perfectly entitled with my budget speech to address matters which are pertinent to public finances. I will continue speaking to the facts, Madam Speaker, not speculation. The first day of this session of Parliament was on 23rd of June, ten days after the Report was delivered to this building, and it was not laid by either the Chief Minister or indeed the Clerk on the Section 12(3) on that day. And Madam Speaker there have
1385 further opportunities since. On the 26th of June 2025, the Chief Minister suspended standing orders to lay four papers. On the 30th of June 2025, the Chief Minister suspended standing orders to lay three papers. And so, Madam Speaker, there have been plenty of opportunities to lay this Report. And I would just say, Madam Speaker, I do feel very strongly about this. It's not a matter of technicalities. This Report needs to be tabled in this Parliament before the end of this session
1390 and before the summer recess. Not to do so, Madam speaker, is to deny transparency and accountability not just to this Parliament, but to the general public, Madam Speaker. And it will be a very sad day for democracy, Madam speaker, and in respect for the spirit of the Constitution, if this report is not tabled before the end of this Parliament.

That is all I will say, Madam Speaker. I am sorry, but I do feel very strongly about this. I object
1395 to coming to this place asking bona fide questions and effectively being laughed at because the Report is here. I find that totally unacceptable, Madam Speaker. So I will conclude now.

Madam Speaker: The hon. Member will get some comfort when I reply shortly to the Hon. Leader of the Opposition. But yes, we can leave that there now.

Hon. R M Clinton: And so, Madam Speaker, the Appropriation Bill and this budget debate is
1400 indeed a tale of two numbers. One for revenue and that for expenditure. It reflects both the worst and the best of times. That the Government has recorded record revenue, I do not deny. However, that must be caveated with the comment that £50 million of Corporate Tax revenue was exceptional. And so, how sustainable are future revenues, Madam Speaker? In expenditure, we've again seen departments have been given unrealistic budgets or suffered a lack of control, resulting
1405 in a total overspend, including consolidated fund charges, of £73.3 million. This level of expenditure is again unsustainable.

As regards borrowing, Madam Speaker, whereas the Government can report lower direct borrowing by a notional £1.5 million, it has borrowed indirectly through Government companies over £120 million from the Gibraltar Savings Bank in the year ended 31st March 2025. Our total
1410 gross direct and indirect debt thus now stands at an estimate of £2.3 billion and it continues to grow at an unsustainable rate. That the Government reports a surplus of £9.8 million for 2024/2025 without any contribution to Government companies, which is normally £13 million, can only suggest that this reported result is again manufactured and a pure fiction disguising a true deficit. Indeed, Madam Speaker, by the Government's own admission, it only achieved a
1415 surplus due to exceptional Corporate Tax revenue of £50 million. Without that £50 million from the exceptional minister for tax that will return the surplus of £9.8 million into a deficit of £40.2 million, Madam Speaker. A deficit.

And so, Madam Speaker, for all these reasons, and until this Government wakes up and presents a realistic, true and sustainable budget, together with full disclosure of financial affairs
1420 of its companies, I cannot and will not support this appropriation bill. Thank you, Madam Speaker.

Adjournment

1425

Chief Minister (Hon. F R Picardo): Thank you Madam Speaker Madam Speaker, I prefer to just stick to the facts. I think it's easier than to think that something is a fact when in fact it might be just broad speculation It's a fact Madam Speaker that it's now 7.55pm. It's a fact that we've got a lot of speeches to get through and it's a fact that one of the speeches I'm looking forward to the most Madam Speaker is the speech of the winner of the awards that we have seen presented this evening the Minister for Health, Care and Business and therefore Madam Speaker I entreat the whole House to come back and listen to the winner tomorrow So at 10am, I now put the question

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

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Those in favour? (**Members:** Aye) Those against? Passed.

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

The House adjourned at 7.55 p.m.